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ABSTRACT

This report details the results of a comprehensive inquiry by New Jersey into one aspect of school construction, the repair and replacement of roof systems, which represents the single most expensive and integral component of a school's physical structure. The investigation began in late 1997 after confidential complaints suggested abuse in the re-roofing of public schools. Investigation revealed evidence of widespread cost-gouging; unscrupulous bidding practices; contract manipulation; questionable design, installation, and inspection procedures; and other abuses. The probe was statewide in scope, involving a review of 115 separate roofing projects in 39 school districts across 13 counties. Projects carried a total taxpayer investment of more than $37.8 million. Key findings fall into five major areas: conflicts of interest/professional misrepresentation, manipulation of public bidding and contracting, questions of safety, inadequate oversight, and improper labor practices/payroll violations. The report discusses the proper school roofing process and how it is subverted, offers a case study of Edison Township school district, provides roofing project summaries for several districts, describes a model roofing project, and provides recommendations. (Appendices contain investigation-related materials, such as correspondence.) (EV)

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WASTE AND ABUSE:

PUBLIC SCHOOL ROOFING PROJECTS

September 2000

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EXECUTIVE SUMMARY

Introduction

Hundreds of millions of taxpayer dollars are spent annually in New Jersey on the construction and renovation of public schools. In coming years, this investment will reach well into the billions as the state redoubles efforts to provide safe and secure facilities for the education of its children. Will the money be spent properly? Will there be adequate oversight and accountability? Will taxpayers get what they pay for?

This report details the results of a comprehensive Commission inquiry into one aspect of school-based construction, the repair and replacement of roof systems, which individually represents the single most expensive and integral component of a school's physical structure. The investigation was begun in late 1997 after the Commission received confidential complaints suggesting abuse in the re-roofing of public schools. Subsequent investigation revealed evidence of widespread cost-gouging; unscrupulous bidding practices; contract manipulation; questionable design, installation and inspection procedures and other abuses. The probe was statewide in scope, involving a review of 115 separate roofing projects in 39 school districts across 13 of New Jersey's 21 counties. Projects examined by the Commission carried a total taxpayer investment of more than $37.8 million.[1]

The Commission's findings reveal a systematic breach of the public trust. Evidence of waste and abuse totaling between $6 million and $10 million was uncovered

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[1] See Appendix p. A-2 for a statewide map. Although this investigation was restricted to events and circumstance within the State of New Jersey, the Commission received extensive information indicating that problems related to the types of waste and abuse detected here are national in scope.

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in more than half of the districts where roofing projects were examined. Construction budgets were squandered through unnecessarily costly roof repairs and replacements at the hands of consultants and manufacturers' sales representatives who contrived to line their own pockets at taxpayer expense. Processes which govern public bidding and contracting were subverted by those bent on putting personal gain ahead of the public interest. Moreover, these abuses were sustained by the action, and inaction, of high-level school district officials — in some instances, even after they had been alerted to potential problems.

Based upon the results of this investigation, the Commission believes that these types of waste and abuse are widespread and continuing, that substantial sums of taxpayer money remain in jeopardy across New Jersey and that the entire system of public school repair, renovation and construction remains vulnerable to manipulation and subversion. Immediate action is warranted to address the problems outlined in this report, and the Commission herein presents a series of targeted reform recommendations for use as a basis to begin the corrective process.

At the same time, the Commission is constrained to point out that during the course of this investigation, it also became apparent that as egregious as the abuses are, they do not color the entire picture of school roof repair and renovation. There are many school buildings in New Jersey upon which successful and economical roofing work has been performed. Indeed, as outlined later in this report, there are instances in which the actions of attentive school district officials have actually resulted in quality roofing at significant savings to the taxpayers.

The initial results of the Commission's investigation, along with preliminary recommendations for systemic reform, were presented during two days of public hearings on December 8 and 15, 1999. In concluding those proceedings, Commission Chair Leslie Z. Celentano stated:

> *. . . [T]he Commission's findings in this investigation should serve as a wake-up call to legislators, school administrators, taxpayers and parents alike. We have identified a host of systemic problems that are costing millions of dollars every year and possibly placing the safety of our children in jeopardy.*
>
> *At the same time, however, we have also identified an opportunity — an opportunity to address and rectify these abuses before they become worse.*
>
> *The manner in which we go forward from here is critically important. With the state poised to invest billions in school construction and renovation, steps must be taken to assure the citizens of New Jersey that their money is spent wisely and prudently. They deserve nothing less.*

This document embodies the final report and recommendations of the Commission based upon its investigation of waste and abuse in public school roofing projects.

Summary of Findings

The Commission's key findings fall into five major areas:

- **Conflicts of Interest/Professional Misrepresentation**
- **Manipulation of Public Bidding and Contracting**
- **Questions of Safety**
- **Inadequate Oversight**
- **Improper Labor Practices/Payroll Violations**

Conflicts of Interest/Professional Misrepresentation

School districts across New Jersey have paid millions more than they should have for roof repairs and replacements, in part, because projects were riddled from start to finish with conflicts of interest and deception.

- Project design consultants presumed by district officials and boards of education to be independent experts have been secretly compensated by roofing material suppliers. This hidden financial relationship is the basis for a scheme that results in excessive project costs.

- Hundreds of thousand of dollars in payments were funneled by a major roofing materials manufacturer to a consultant who repeatedly wrote project specifications favoring the firm's products. The consultant used this money for personal expenses and failed to report it for tax purposes.

- Key players in the school roofing industry, including a leading roof-design consultant and several contractors, were found to have criminal records while securing public contracts at taxpayer expense.

- Roof "inspections" were carried out by firms and/or individuals with a financial stake in the project.

- A leading supplier of roofing materials routinely was presented as a manufacturer of products bearing its own label for which no other product could be substituted. In reality, the firm produced few materials and instead chiefly re-labeled products made by others and sold them at inflated prices.

- School officials responsible for oversight of roof maintenance enjoyed social relationships with both a design consultant and a roofing company sales representative involved in projects undertaken within their districts.

Manipulation of Public Bidding and Contracting

The process by which boards of education award contracts for roof repairs and replacements was found to be rife with abuses that thwart the public's ability to obtain quality work at the most reasonable price.

- Design consultants, working in secret partnership with manufacturers and suppliers of roofing materials, routinely crafted "proprietary" project

specifications that favor a given set of products, thus eliminating competition in the award of contracts.

- Technical "hurdles" were inserted throughout project specifications to foreclose the possible substitution of less expensive materials of similar or equal quality.

- Installation contracts were steered into the hands of favored contractors through a variety of means, including inadequate public notice of project proposals, selective offers of preferential pricing and mandatory pre-bid meetings. In at least one instance, in which a multi-million-dollar public investment was at stake, the mandatory pre-bid meeting was held the same day the bid proposal was advertised.

- In some instances, work on public school roofs was performed by subcontractors lacking certification by the New Jersey Division of Property Management and Construction, and without the approval of the school district.

Questions of Safety

A number of unusual and questionable circumstances give rise to concerns about the safety and structural integrity of public school roof repairs and replacements completed through this process.

- In some instances, project plans were drawn or merely copied by individuals who were not licensed architects. In others, no design professionals were

utilized at all. Drawings lacked sufficient detail and the seal of a professional, and requisite building permits were not obtained prior to construction in nearly 30 percent of the projects examined.

- Less expensive and sometimes inferior roofing products were used in place of specified materials without knowledge of or credit to the school district. Specified materials sometimes were left out altogether with no substitution.

- Structural problems raised in various feasibility studies were not addressed in project plans and specifications.

- On-site inspections were lax, non-existent or tainted by conflicts of interest.

Inadequate Oversight

The abuses uncovered by the Commission in public-school roofing projects were, at times, abetted by the action, and inaction, of school district officials and by lax oversight and guidance at the state and local levels.

- Ranking school district officials placed millions of taxpayer dollars at the disposal of consultants, contractors and roofing manufacturers' sales representatives without asking the most basic questions about their qualifications and possible connections.

- District officials in a number of instances approved questionable contracts even though they had been warned of potential abuses.

- District officials responsible for roof maintenance struck up social relationships with roofing consultants who secured a share of various districts' roofing business. In several cases, these and other school officials subsequently acted as references for a roofing consultant who had betrayed the taxpayers' best interests.

- New Jersey lacks an effective mechanism at the state level to monitor the public-school roofing industry and to provide school districts with technical training and advice on how to avoid abuses. Moreover, state officials, although warned of abuses for many years, failed to take action.

Improper Labor Practices/Payroll and Tax Violations

In an effort to undercut their competition and maximize profits, certain roof installation contractors engaged in practices to evade or circumvent regulations governing proper labor and payroll practices, and federal and state laws governing income and employment taxes.

- In some instances, contractors were able to secure school roofing work by submitting low bids secretly conditioned on the fact that their laborers would be paid substantially less than the legally mandated prevailing wage.

- Certified payroll forms submitted in connection with school roofing projects were replete with phony employee social security numbers and false data relative to hours worked and hourly wage rates paid. In many instances, no certified payroll forms were filed; in others, no such forms existed at all.

- Some contractors failed to make standard employee payroll deductions for income tax, Social Security and Medicare taxes, disability insurance and unemployment benefits. These contractors also failed to remit their own contributions toward these benefits.

SCHOOL ROOFING: THE PROCESS

When local boards of education confront the need to repair or completely replace damaged or worn-out roof systems, they typically lack the necessary technical expertise to evaluate the problem and determine the best way to achieve the desired result, which is a quality roof at a reasonable price. Depending on a project's scope, the existing roof and supporting substructure could require thorough tests and surveys, structural analysis and detailed design drawings. Because of the sheer complexity of the roofing industry -- literally hundreds of different types of roofing systems, materials and configurations are available — multiple technical judgements have to be rendered regarding products, materials and warranties. Finally, a qualified installer must be retained, and steps must be taken to ensure the work is inspected and done properly. Thus, in many instances, local officials rely heavily on outside individuals or entities deemed to possess expertise in public school roofing. Key players in the overall repair and replacement process include:

- Design professionals
- Installation contractors
- Roofing material sales representatives

Projects examined during this investigation primarily involved the installation of "built-up" roofing systems. The most economical form of built-up roofs typically are comprised of materials such as conventional quality bitumen (asphalt or coal tar), fiberglass plysheets and low-cost surfacing materials. In most of the school projects examined by the Commission, however, this conventional type of built-up system was

eschewed in favor of premium systems utilizing installation techniques and materials that carry far higher prices, such as the hot application of polymer-modified bitumens and polyester plysheets. Independent roofing experts told the Commission that despite the significant cost differential, there is little difference in performance and durability between conventional and premium built-up roofs. The experts' analyses also showed that even in cases where premium systems are utilized, competition in the selection of materials can produce savings of as much as 30 percent of the overall project cost.

Doing It The Right Way

Under ideal circumstances — and under New Jersey state law — the design professional is an architect or engineer licensed to do business in New Jersey with expertise or special knowledge about roofing repair and replacement.[2] He or she is hired under contract through a competitive process and maintains a fiduciary responsibility in which the best interests of the client school board are paramount. If an architectural consulting firm serves as the design professional, the law requires that two-thirds of the directors of the company be licensed architects and that two-thirds of the shares of stock be owned by licensed architects.

Acting independently on behalf of the school board, the design professional is responsible for conducting an expert evaluation of existing roof conditions and providing a qualified plan for remedial action. He or she is responsible for developing adequate plans and drawings and for writing the technical specifications that will comprise the

[2] See Appendix p. A-3: Text of official advisory letters detailing statutory requirements.

project manual. This document may specify a particular type of roof — for example, conventional built-up or premium built-up — as well as a type and source of material for it, but the overall specifications are openly structured to allow for alternate sources and materials of equal or better quality. This is a key element because it injects competition into the process in a way that could result in substantial cost reductions.[3] The specifications are also written to include a variety of quality control provisions. During actual installation, the design professional's responsibilities may include monitoring and inspecting the work on the school board's behalf to ensure that all specification criteria are met.

The installation contractor, retained by the school board through competitive bidding, is responsible for installing the proposed system according to the specifications. He or she submits bids for the project based upon estimates of genuine material and labor costs and is allowed through the specifications to bid an alternative material of equal or better quality. If such an alternate is proposed, the independent design consultant conducts an evaluation to make sure it meets the specifications and then presents an unbiased report to the school board. Once the board reaches a final decision, the installation contractor procures the necessary materials either through a commercial distributor or directly from a manufacturer, depending upon the roof system specified.

The roofing material sales representative, typically an employee of the manufacturer or supplier, works with the installation contractor to ensure that the appropriate materials are delivered to the job site in the proper quantities on a timely basis. During installation, regular inspections of the quality and thoroughness of the

[3] See Appendix p. A-8: Chart illustrating the competitive roofing bid process.

workmanship are provided by an independent, third-party expert or clerk of the works acting on behalf of the school district. The sales representative may serve as an on-the-job inspector but only on behalf of his employer, the material supplier or manufacturer, to ensure that the product warranty is protected. Any savings accrued through economies, oversight and use of alternate materials are passed on to the school district.

How The Process Is Subverted

This process is readily exploited to the detriment of taxpayers by unscrupulous individuals who take advantage of unsuspecting, technically unsophisticated school district officials to manipulate weaknesses in bidding and contracting. In many instances, the Commission found these operators act in concert with one another.[4]

Instead of serving independently as a loyal agent of the school board, for example, the design professional/consultant misrepresents or distorts his or her true credentials, and, in reality, participates in a lucrative hidden partnership with a roofing material supplier and its sales representative. This enables the consultant to undercut other potential bidders to obtain the design contract. Once the contract is awarded, inadequate surveys are conducted on existing roofs, and vague and incomplete architectural plans are submitted as the basis for repairs. Project specifications expressly favoring a given manufacturer's materials — often involving premium built-up roof systems — are written by the sales representative and passed off as the work of the design consultant. The specifications contain language which appears to open the project

[4] See Appendix p. A-9: Chart illustrating how the bidding process is manipulated.

to alternate systems and materials of equal or better quality, but for all practical purposes, no such substitutions are possible. This is ensured by the insertion of multiple technical requirements, or "hurdles," that are extremely difficult, if not impossible, for alternate suppliers and/or manufacturers to overcome.[5] In any event, evaluation of any proposed alternate rests in the hands of the compromised design consultant who has won the trust of local school board members and district administrators. These officials, in turn, possess neither the expertise nor, in some instances, the inclination to ask the right questions.

The bidding process is further manipulated to steer the installation contract into the hands of a roofing contractor who is favored, or "certified," by the manufacturer/supplier that has gained the inside track through the "proprietary" specifications. The favored contractor under-bids possible competitors through various strategems, including secretly arranging to pay his employees at a rate substantially below the statutorily mandated prevailing wage, a ploy designed to reduce his overall labor costs. During installation, no qualified, independent inspections are conducted to monitor the work and ensure that the specified materials, in proper quantity and quality, are used. If cheaper and/or inadequate materials are used, the district is not notified. Moreover, the cost differential is pocketed by the contractor or the material supplier with no adjustment passed on to the school district.

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[5] See Appendix p. A-10: Detailed recitation of the types of technical hurdles typically inserted into proprietary specifications.

EDISON TOWNSHIP SCHOOL DISTRICT:

A CASE STUDY

In June 1994, the Edison Township Board of Education received the report of a comprehensive feasibility study it had commissioned to assess the physical conditions and structural needs of buildings throughout the school district. Areas earmarked in the report for renovation included a number of school roofs in need of repair or replacement. Over the next several years, the board tried repeatedly to gain voter approval of various bond issues to finance the work, but all such attempts were defeated. By 1997, anxious to get the project finally under way and completed that summer, the board pursued alternative strategies.

Thus began a chain of events that would enmesh the Edison School District in a web of deceit and manipulation costing hundreds of thousands of unnecessary tax dollars and raising doubts about whether the district, even at an excessive premium, ultimately got what it thought it had paid for. The Edison project represents the single largest and most costly school roofing initiative examined by the Commission — a $6.97 million undertaking involving repair and replacement work on 17 separate school roofs. What occurred in this Middlesex County community is emblematic of the waste and abuse uncovered by the Commission in public school roofing projects across the state.

The Inside Track

In late January and early February 1997, months before the school board had even outlined a final strategy to proceed with the roofing project, district officials were approached and solicited for business by representatives of a small design-consulting company, Roof Spec/Design Inc. of Mt. Holly, New Jersey. These were the first of numerous early contacts initiated by Roof Spec/Design, and they played a crucial role in positioning the firm so that it could control the process by which contractors and roofing materials were selected.

At the initial meeting, Thomas M. Saltzgueber, Roof Spec/Design's principal, told Edison Business Administrator Daniel Michaud that he had read about the district's roofing problems in local newspapers. In executive session testimony before the Commission, Michaud, who acknowledged possessing no personal expertise in roofing, said Saltzgueber proceeded to put on a sales demonstration in which he stabbed a pen through a square of rubberized material purporting to simulate the district's existing roof. He said Saltzgueber then displayed another sample, punching his pen against the surface three times without penetrating it. According to Michaud, Saltzgueber said, "This is what I recommend." With that, Michaud said Saltzgueber offered to have his firm "look at some of your worst roofs and give our opinion" at no cost or obligation. Michaud said he was impressed and followed up with instructions to Paul Jenney, the district's superintendent of building and grounds, to expect a visit from Roof Spec/Design personnel.

Jenney told the Commission that on February 3, 1997, he met in the district offices with Saltzgueber and his son, Scott O. Saltzgueber, and that they limited their

examination to roof conditions at two elementary schools, Herbert Hoover and Menlo Park. Jenney said the Saltzguebers told him they did not have enough time to look at any other roofs but discussed with him the need for roofing systems that incorporated hot tar and multiple plies. Jenney subsequently received mailed samples, one of which was similar to the hardened material Saltzgueber had used in his pen demonstration. Toward the end of February, Jenney also received an unsolicited written proposal for re-roofing work on the two schools signed by Scott Saltzgueber, who identified himself as vice president of Roof Spec/Design. The four-page proposal called for installation of a "hot applied, multi-ply, kettle modified asphalt system" at a total cost of $900,000. The proposal also contained a list of nine separate services that the firm said it would perform for an additional fee of $62,300. These included preparation of "technical specifications complete and ready to bid" and a promise to "inspect the work on a regular basis and submit written reports on the progress of the project."

Little more than a week later, on March 3, 1997, Jenney was summoned by then-acting Superintendent Dr. Vincent Capraro to a meeting in Capraro's office with two representatives of another design consulting firm, Roofing Resources Inc. of Pennsylvania. Within two days of that session, Roofing Resources submitted a proposal for comprehensive design work on the district's roofs at a fee equal to 6 percent of the total cost of the overall project. This is significant because Roofing Resources, through its owner, Richard Collins, who was present in the Capraro/Jenney meeting, had undisclosed ties to the same roofing material manufacturer that was linked to Saltzgueber's Roof Spec/Design. Ultimately, both firms would find a place among the three finalists in Edison's design-consultant selection process.

Meanwhile, district officials focused their attention on the mechanics of financing a broad-based repair and replacement project that would encompass roofing systems on as many as 17 of the district's schools. The school board had taken steps to place yet another proposed bond issue on the ballot in mid-April of that year. Also, as a possible alternative, they began to explore the possibility of crafting a lease-purchase arrangement that would enable the district to raise the necessary money, estimated at $6.5 million, without voter approval.

On April 14, one day before the bond issue went to the voters, Roof Spec/Design took yet another pre-emptive step. Without being solicited, indeed, without the district having yet issued the standard request for proposals, or "RFP," the firm submitted a detailed proposal to be hired as design consultant for roofing work on all of the district's schools. The pitch reiterated the 9-point list of services offered in the firm's initial two-school proposal but called for a fee of 4.5 percent of the estimated overall project cost, with the fee not to exceed $254,000. Roof Spec/Design's suggested fee was 1.5 percent lower — about $100,000 less — than the fee proposed six weeks earlier by Roofing Resources, Inc.

Within days of Roof Spec/Design's submission, district officials changed their approach both to the financing and the formulation of the project. Prompted by the defeat on April 15 of the latest bond issue, the school board opted for the lease/purchase alternative that would allow the district, pending approval from both the state Department of Education and New Jersey Local Government Finance Board, to borrow up to $6.5 million. The board also decided to set up a special committee "to develop a procedure for the repair and/or replacement of the school roofs and make appropriate

recommendations. . .for its implementation." This 12-member Roofing Committee was to consist of three school board members, three retired teachers or administrators, three individuals involved in the local PTA and three persons who had been involved in the district's original Facility Advisory Committee. The panel was charged, among other things, with determining the type of roof system to be installed on each school building and whether the district should retain a consultant rather than an architect to design the project.

Jenney was designated to serve as liaison between the Roofing Committee and the district's administration. His responsibilities included providing the committee, through Michaud, with a list of possible candidates for the design work. In sworn executive session testimony before the Commission, Jenney said he drew his nominees from a reference book displaying a wide range of potential contractors for school capital projects. Asked what criteria he used to select possible bidders, Jenney said he relied on the size of a given firm's advertisement. He said he felt that the larger the display ad, the better chance the district would have of dealing with a responsible company capable of doing the job. Jenney told the Commission that throughout this process, no one discussed with him the possibility of utilizing any of several architectural firms that had been retained by the district in the past. These included the firm of Faridy, Thorne & Fraytak, P.C., which had produced the district's comprehensive feasibility study in 1994. Indeed, Jamil Faridy, the firm's principal, told the Commission that even though his firm was, and still is, the district's official architect, it was never consulted in connection with 1997 roofing project nor was it invited by the district to submit a proposal for the design work. This is noteworthy in light of the fact that the Faridy firm has a distinguished background

and has designed nearly 1,000 schools, the majority of which are located in New Jersey. During its 80 years of existence, the firm also has participated in the design of millions of square feet of re-roofing projects.

Both Michaud and Jenney testified that the search for bidders to perform the design work was driven primarily by cost concerns. The Roofing Committee concluded it would be cheaper and more efficient to bring in a consultant deemed to be a roofing expert, rather than to pay additionally for the services of a standard architectural firm. Also, according to Michaud, district officials were concerned about the fact that architects in previous district construction projects had specified roofing materials that did not seem to provide adequate long-term durability. Michaud told the Commission,

> *The thinking was that we wanted someone who specialized in roofs. Our contract with Faridy, Thorne & Fraytak specifies that they go out and hire a specialist. We have to tack on 50 percent on top of that for their fee. And in this case we have had architect[s] work on projects, additions on the schools. And for the most part they always put on rubber roofs, which seemed not to have the length of life that we want to see. So we wanted someone who was specialized in roofing.*

On May 12, Jenney faxed information to Michaud regarding four possible design-consulting candidates: Roof Maintenance Systems of Farmingdale, New Jersey; U.S. Roof Management Inc. of Long Valley, New Jersey; Cannon Group of Marlton, New Jersey; and Horowitz and Edwards, AIA, of Lawrenceville, New Jersey. Michaud added these to the two firms — Roof Spec/Design and Roofing Resources — that had already submitted proposals.

The following day, May 13, the school board issued its first formal RFP in connection with the roofing project, and, as it turned out, Roof Spec/Design once again

was particularly well-positioned. The RFP included a section entitled "Services Required For Roof Projects," delineating a list of 13 services that would be expected of any successful bidder for the design contract. The list incorporated material identical to key portions of the nine service points that had already been proposed to the district by Roof Spec/Design Inc. in both of its pre-RFP submissions. During his executive session testimony, Michaud — who helped to prepare the district's RFP — was asked about the source of district's project services list:

> ***Q.*** *. . . [I]t appears by and large these came from the proposal from Roof Spec/Design.*
> ***A.*** *That's correct.*
>
> ***Q.*** *Is that where you got them from?*
> ***A.*** *A lot of them, yes.*
>
> ***Q.*** *. . . Did you do anything further or any checking with anyone as to what duties or responsibilities the roofing consultants should perform?*
> ***A.*** *Well, the only other thing I did was went through the lists, [to] see if it was right as far as what I was looking for them to do, and I added a couple of items not in there [that] I'd like to see done.*
>
> ***Q.*** *Do you remember which you added?*
> ***A.*** *I think it was only the last one or two. It wasn't a lot, because [the list] looked like it was pretty comprehensive.*

On the same day of issue, the RFP was sent by facsimile machine to the candidate consultants. They were given three days, until May 16, to prepare and submit proposals, a schedule later criticized by several participants as unusually restrictive for a project of such magnitude. For example, William R. Vey, the U.S. Roof Management principal, told the Commission that he did not have sufficient time to see, let alone examine in any detail, the conditions on any of the 17 school roofs slated for repair.

Upon receipt by the district, submissions from the various consultants were reviewed by Jenney and Michaud, who told the Commission that the proposals were sorted based upon cost considerations and little else. Those containing the three lowest bids, from Roof Spec/Design, Roofing Resources and U.S. Roof Management, were then presented as finalists to the Roofing Committee. Jenney, whose position with the district included direct responsibility for roof maintenance, described his role in the process of evaluating the submissions:

> ***Q.*** *Did you read all of the proposals. . . ?*
> ***A.*** *I scanned most of them. Some of them were an inch thick. Most of it is not — it gets into technical stuff, this doesn't really apply to — as long as they were capable of doing the job and their cost was reasonable.*
>
> ***Q.*** *How did you determine if they were capable of doing the job?*
> ***A.*** *That's the hard part. You can only go by what they're saying they can do.*
>
> ***Q.*** *Did you contact any references?*
> ***A.*** *To be honest with you, no.*
>
> ***Q.*** *Is there any reason why that wasn't done?*
> ***A.*** *I think it was just a time factor. It was rush-rush on this to get somebody quickly because of getting the job done in a short period of time that we had.*

One major consequence of the cursory review conducted by Jenney and Michaud was that both were unaware, as, by extension, was the Roofing Committee, that two of the three firms selected as finalists for the design contract, U.S. Roof Management and Roofing Resources, were fundamentally ineligible. Neither could meet the basic statutory requirement mandating that a New Jersey-licensed architect hold a two-thirds ownership share in entities hired for design work on public schools. As a result, when the Committee convened on May 22 to consider presentations from all three finalists, there

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really was no contest. The district's new roofing design consultant, for a fee not to exceed $254,000, would be Thomas Saltzgueber's Roof Spec/Design Inc.

Beneath The Surface: The Real Roof/Spec Design

When Roof Spec/Design won the confidence — and the money — of the Edison School District administration in mid-1997, the firm was already well on the way to carving out a lucrative niche in public-school roofing throughout New Jersey. Thomas Saltzgueber, the company's co-founder and principal, carefully cultivated the image of an attentive design professional. He met local school officials on their own ground, organized promotional events, hosted presentations and socialized at such gatherings as the New Jersey School Boards Association's annual convention in Atlantic City and meetings of the New Jersey Association of School Business Officials.[6] His approach paid off. Between 1995 and 1998, as the company locked up design deals on school roofing projects all over the state, a combined total of more than $1 million in revenue flowed through Roof Spec/Design's various bank accounts. Thus, by the time he landed the Edison contract, his biggest to date, Saltzgueber was becoming the man to call within the narrow community of school officials responsible for dealing with headaches like worn-out roofs. Indeed, numerous district business administrators and maintenance officials told the Commission how impressed they were with Saltzgueber's brand of salesmanship.

Aggressive sales tactics aside, the reality was quite different.

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[6] See Appendix p. A-11: Outline of a presentation conducted by Thomas M. Saltzgueber during a conference sponsored by the New Jersey Association of School Business Officials.

According to federal court records, Saltzgueber is a convicted felon who in 1991 pleaded guilty to one count of conspiracy to obstruct justice in connection with his role in a $500,000 insurance fraud scheme involving more than 20 phony car accidents in the late 1980s. He was placed on three years' probation, fined and sentenced to 15 weekends in prison. Two individuals who later became closely associated with Saltzgueber's school roofing business, his son, Scott O. Saltzgueber, and architect Mitchel Abramowitz, the president of Roof Spec/Design, also entered guilty pleas in that case. Both received similar sentences.

The Commission also determined that Roof Spec/Design is, in fact, a sham entity. Evidence and testimony shows Thomas Saltzgueber formed the company in 1994 for no other reason than to give the appearance of compliance with statutory requirements mandating hands-on ownership and involvement by a licensed architect or engineer in public school roofing projects. Further, the State of New Jersey revoked the firm's corporate registration in 1996 for failure to pay requisite annual fees. The Commission also found that Saltzgueber failed to file state and federal income tax returns, both personally and on behalf of his business, for both 1997 and 1998. Further, Scott Saltzgueber was never a vice president of the firm, although he was falsely represented as such to various local boards of education.

More significantly, while purporting to represent the interests of his client school districts, Saltzgueber has maintained a longstanding and lucrative hidden financial relationship with a leading supplier of premium-priced school roofing materials. The company, W.P. Hickman Systems Inc. of Solon, Ohio, made payments totaling more than $361,000 to various phony or paper companies maintained by Saltzgueber and his son,

Scott, between 1995 and 1998. Typically, the payments, disguised as fees for roof inspections, were calculated based upon a percentage of Hickman material sales, rather than on the work performed. During the 1995-98 period, Roof Spec/Design Inc. prepared plans and specifications for multiple public-school roofing jobs, including the Edison project, that called exclusively for the purchase and use of products supplied by Hickman. The Commission's investigation revealed that roofing products bearing the Hickman name are priced exorbitantly compared with those of comparable quality labeled by other suppliers or manufacturers. Further, Hickman's sales representatives typically receive commissions equal to 25 percent of material sales, more than three times the industry average of 7 percent.

In his appearances before the Commission, both in executive session and during the December 1999 public hearing, Saltzgueber invoked his constitutional privilege against possible self-incrimination and refused to answer any questions. His son, Scott O. Saltzgueber, also invoked his constitutional privilege when called to testify in executive session. Mitchel Abramowitz took the same approach when called to testify at the public hearing. However, during two earlier lengthy executive session appearances, Abramowitz testified openly and freely under oath and, in doing so, confirmed key aspects of the Commission's findings relative to Roof Spec/Design Inc.

* * *

Abramowitz described himself as a "self-employed" general commercial architect licensed in New Jersey, Pennsylvania and a half dozen other states. He owns the

architectural firm Mitchel Abramowitz A.I.A, based in Lansdale, Pennsylvania, as well as another company, Associated Construction Enterprises, which he described as "inactive."

Abramowitz said he has been friends with Thomas Saltzgueber "for many years," periodically seeking informal advice from him on the roofing aspects of various commercial architectural projects. In 1994, Abramowitz said, Saltzgueber, who specialized in public-sector work, approached him with the idea of jointly forming Roof Spec/Design to satisfy a New Jersey law requiring that consulting firms engaged in public-school roofing projects be owned and operated by a New Jersey-licensed architect or engineer. Abramowitz said that prior to joining in this venture, he had never been involved in any public-school roofing work. Indeed, according to Abramowitz, his expertise was in the design of motion picture theaters and commercial swimming pools. Upon the incorporation of Roof Spec/Design, however, he was given a two-thirds ownership share and designated president. Abramowitz said his main duty was to review all project plans and specifications for accuracy and related issues and to place his official architect seal on them. He said Saltzgueber was responsible for all fieldwork. Abramowitz said that rather than a regular salary, he was to be paid a percentage — typically 10 percent — of the overall cost of a given project, depending upon its complexity. He acknowledged, however, that he received only nominal payments from the firm, and as of August 1999, had still not received most of the fee due him for work performed since 1997, including the Edison project, although Abramowitz has continued to affix his seal to Roof Spec/Design documents.

Abramowitz' testimony revealed that he was "president" of Roof Spec/Design in name only. By his own admission, ". . . I'm not involved in the business aspect of the

thing. I left it up entirely to Tom. . . . I have nothing to do with the financial running of the company." He said he never looks at the firm's financial books or business records, rarely visits the company's New Jersey headquarters and has no role in setting service fees. Additionally, Abramowitz said he had no involvement in filing the firm's tax returns. He did not know that the company, in fact, had filed no returns for 1997 and 1998 and was unaware of the firm's total gross receipts. He also said he did not know that another individual, architect Thomas Rienzi, had been listed as a Roof Spec/Design director along with Saltzgueber and himself, although Abramowitz later claimed to recall Rienzi. In sworn executive session testimony, Rienzi stated he was unaware that his name appeared in documents filed with the New Jersey Board of Architects which allowed the Roof Spec/Design "firm" to be licensed in this state as an architectural firm. This license enabled Thomas Saltzgueber, a non-architect, to meet the new Jersey requirements for handling public school roofing projects. Abramowitz, when asked why he was listed as the Roof Spec/Design's president in view of his passive role with the company, replied, "because I owned the majority of the stock, because I'm the architect." Further, he testified,

> ***Q.*** *Is that really what was going on? Mr. Saltzgueber got involved with you and he formed the company to provide a way to deal with State requirements —*
> ***A.*** *Yes.*
>
> ***Q.*** *— in having sealed documents?*
> ***A.*** *Yes.*
>
> ***Q.*** *Is it fair to say that, at least in your opinion, Mr. Saltzgueber probably could do this job himself?*
> ***A.*** *Probably.*

Abramowitz also testified that Saltzgueber controls the company's expenditures. Evidence developed separately by the Commission shows that substantial sums of money generated through Roof Spec/Design were expended for personal purposes on behalf of Saltzgueber family members and friends. Between 1995 and 1998, more than $145,000 in business-account funds were used for a variety of non-business purposes, including the purchase of appliances and furniture, men's clothing, veterinary services, residential rent, medical bills, carpeting, toys, family portraits, parking fines and manicures, as well as the payment of personal property taxes and utility bills.[7] The Saltzguebers also maintained bank accounts for at least two "paper" companies, Kingston Realty and Commercial Roofing Systems Inc., through which monetary receipts to Roof Spec/Design from Hickman and other sources could be funneled.[8] Abramowitz said he was unaware of the firm's payments to these companies. Also, he expressed surprise when informed that corporate checks made out to Roof Spec/Design had been cashed at a commercial check-cashing outlet in Philadelphia, rather than handled through company bank accounts. This practice typically is used to divert and conceal business receipts for tax purposes. As to the use of company revenues for personal expenses, Abramowitz said he was unaware of it, with one exception: use of company funds to replace the siding on his own Roslyn, Pennsylvania, house:

> ***A.*** *I needed some siding done and it was just decided to pay for it out of the company.*
>
> ***Q.*** *Was it reported on tax returns?*
> ***A.*** *To tell you the truth, I don't remember.*

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[7] See Appendix p. A-14: Summary of Saltzgueber personal expenditures paid by various businesses during the period 1995-1998.

[8] See Appendix p. A-15: Summary of Hickman payments to Thomas M. Saltzgueber-related firms.

Abramowitz said the company typically presents project specifications that delineate materials to be supplied by Hickman. Asked why, Abramowitz said Thomas Saltzgueber had assured him that Hickman products were superior and that the company provided clients with the advantage of a single source of responsibility for maintenance and warranties. Abramowitz said he had never compared Hickman's products with those of other manufacturers to determine whether, in fact, Hickman does offer a better deal. He also acknowledged being aware that Saltzgueber had a history of working for Hickman as a paid consultant but said he did not know what that work entailed. Abramowitz said that, at Saltzgueber's request, he had himself done some work for Hickman on at least two occasions, although he could not recall what it was.

Abramowitz agreed under questioning that an architect's primary allegiance should be to his or her client. He also acknowledged that such a relationship can be undermined by conflicts of interest. He said it would have been "improper" for Saltzgueber or Roof Spec/Design to have done any work for Hickman while also serving as design consultant on the Edison project:

> ***A.*** *. . .[I]f there is a relationship. . .whereby the architect would stand to make some substantial gain to the detriment of his client, yes, that is something that should not happen and should not be.*
>
> **Q.** *When you say detriment to his client, what do you mean?*
> ***A.*** *Lesser quality, ignoring the specifications, doing something which isn't quite right.*
>
> ***Q.*** *How about higher costs?*
> ***A.*** *Or higher costs. . . .If you are my client and I had you pay an extra $20,000 for a project and that $20,000 was coming into my pocket, that's not right.*

Q. That wouldn't be permitted?
A. *That wouldn't be permitted.*

The Hickman Connection Pays Off

By the time Edison School District officials put their roofing project on the fast track in May 1997, Thomas Saltzgueber was more than a mere consultant for W.P. Hickman Systems. His link to the company had developed into a full-blown partnership in which he was working hand-in-hand with one of Hickman's leading New Jersey-based sales representatives, C. Kelcy Pegler of Spring Lake. Like Saltzgueber, Pegler cited his constitutional privilege against possible self-incrimination and refused to answer questions when he appeared before the Commission in executive session and during the public hearing. Nonetheless, the relationship was confirmed by Fred C. Galda, Hickman's regional sales manager and, as such, Pegler's nominal supervisor. Galda told the Commission that Pegler routinely works in concert with Roof Spec/Design under an arrangement formalized through an executive memorandum from Hickman's Ohio headquarters.[9] Notably, this document refers to Saltzgueber, not Abramowitz, as "President" of Roof Spec/Design. Dated May 12, 1997 and directed to "all W. P. Hickman sales representatives," it states:

> *A consulting firm, Roof Spec/Design, Inc., headquartered in Beverly, N.J., [now in Mt. Holly, N.J.] has over the last few years, specified some of our products. Roof Spec/Design, Inc., also specifies many other products and systems in the industry today. Mr. Thomas Saltzgueber, President of Roof Spec/Design, Inc., has requested that he have one contact with W.P. Hickman. Consequently, we have asked Kelcy Pegler to work with Roof Spec/Design, Inc. When Roof*

[9] Executives of W.P. Hickman Systems Inc. of Ohio declined through their attorneys the Commission's invitation to appear for questioning in executive session and during the public hearing. Their location outside the state boundaries of New Jersey puts them beyond the reach of SCI subpoenas.

Spec/Design, Inc. has a project outside of Mr. Pegler's territory, that project will be handled on a Branch/Headquarters basis. The Branch/Headquarters relationship will exist for work originating from New Jersey, as well as all work Roof Spec/Design, Inc. may generate from its own Branch offices. Please contact Mr. Pegler with any questions you may have.

Less than two weeks later, in a memo dated May 23, 1997 — the day after Roof Spec/Design was officially selected as the district's design consultant — Kelcy Pegler received the following instructions from Hickman headquarters:

In light of our letter to the field concerning Roof Spec/Design, Inc., it's probably a good idea for you to keep a running tab on all jobs that Roof Spec/Design, Inc. is involved in with W.P. Hickman representatives. I wouldn't wait for reps to call you about their involvement. You need to get it first from Roof Spec/Design, Inc. You will need this list to:

A. Track sales

B. Let reps know the progress/standing of each job

C. Track Roof Spec's involvement with Hickman

Hickman maintains a similar arrangement with another of the three finalists in the 1997 Edison project, a design consulting firm known as Roofing Resources Inc., which, from a base in Chadds Ford, Pennsylvania, has engaged in a number of public-school roofing projects in Pennsylvania, New Jersey and Delaware. Through his attorney, Roofing Resources President Richard Collins invoked his constitutional privilege against possible self-incrimination and declined to respond to questions posed by the Commission.

Galda, in executive session testimony, described the methods by which Hickman sales representatives are compensated. In addition to a base salary, they are credited with commissions worth up to 25 percent of total material sales per project. In instances

where one sales representative initiates a sale in another's territory, the home sales representative is generally entitled to half of the total commission, even if he or she performs no work on the project in question. Galda testified that the source of such a sale, whether generated directly by Hickman personnel or through some arrangement in which an outside consultant specifies Hickman products, does not affect the award of such a partial commission to the home sales representative:

> *. . . [W]e would be out of our mind to question anything if we know we're going to get 50 percent if the job falls in our territory. So, that's all you got to know. That's all I would have to know. That's all that I care about. . . . You get 50 percent for waking up in the morning. That's not a bad deal.*

Galda said he was not aware of any compensation received by Roof Spec/Design personnel from Hickman. He acknowledged that such a situation "could be a problem" because "there's obviously a conflict."

* * *

On June 9, 1997, less than three weeks after appointing Roof Spec/Design Inc. as the district's design consultant, the Edison School Board's Roofing Committee met to discuss and decide the type of roof system to be installed. The panel settled upon a hot-applied, built-up system utilizing coal tar and multiple plies. That same day, Roof Spec/Design submitted a package of project specifications to the board calling for installation of an identical system. Confronted with this odd concurrence, business administrator Daniel Michaud expressed surprise:

Q. It raises a question in our mind as to whether the consultant knew in advance the type of roof because he wrote the specifications and it had to take some time. Do you know anything about that?
A. The committee met and decided on the type of roof the same day the specs were done?

Q. Yes, dated June 9th. And . . . the specifications are dated June 9th. Are you surprised by that?
A. I'm surprised at this. The only thing I'm assuming, he must have felt that he was going to be able to convince them that this is the best way to go. And in order to save time, he prepared them in advance. That's the only way I would assume.

Q. Do you know why he would have felt that confident?
A. He was a roof specialist and he thought he would be able to impress them as he did me with the pen.

Q. Is he a pretty good salesman?
A. He seems to be.

The specifications submitted by Saltzgueber's firm named W.P. Hickman Systems Inc. as the supplier of all roofing materials to be utilized in the project. Although the document contained language which appeared to open the way for alternate materials of equal quality from other suppliers or manufacturers, multiple technical requirements were inserted to make such substitutions virtually impossible. Further, as the district's official design consultant, Roof Spec/Design would have final say over whether any substitute was appropriate. From a practical standpoint, these technical hurdles were irrelevant to product quality and successful installation. Moreover, they were worded so as to apply only to manufacturers and/or suppliers of substitute materials. They did not apply to Hickman. For example, the specifications stated that if any proposed alternate material were approved, the manufacturer would be required to conduct field inspections at least every other day during installation for a minimum of two hours per day. Other requirements applicable exclusively to substitute manufacturers

included the posting of $1 million worth of liability insurance, the filing of weekly progress reports, submission of detailed reports outlining all material costs, and certification that the company had not undergone bankruptcy, reorganization or sale within three years prior to the contract. In his sworn testimony, Michaud said he had never read the project specifications, was unaware that such requirements were included and was surprised that Hickman was exempt from them:

> ***Q.*** *. . . Do you know why any of that . . . would be applicable to the substitute product and why it . . . wouldn't be applicable to Hickman?*
> ***A.*** *I couldn't understand that. It would have been for everybody. It would have to have been not just these guys.*
>
> ***Q.*** *Are you surprised by what I am pointing out to you?*
> ***A.*** *Yes, I am.*
>
> ***Q.*** *Does it bother you?*
> ***A.*** *Yes.*
>
> ***Q.*** *Why?*
> ***A.*** *Well, first of all, none of this was brought to my attention by Mr. Saltzgueber or anybody else. And this is not the way I would have handled it if somebody brought it to my attention and [said] this is the way I would like to put those things in there. And I would have objected to it unless Hickman was put to the same scrutiny that these guys are.*
>
> ***Q.*** *In this case, because it's such a specialized area, did you rely on the roofing consultant to do the right thing?*
> ***A.*** *Yes.*

In at least one instance, an attempt by a competing manufacturer, Tremco Inc., to enter the picture was summarily rebuffed without further evaluation. In a June 6, 1997 letter to Michaud, a Tremco sales representative sought an opportunity for his firm's product "to be specified as an alternate to the roof system which will be specified by

Roof Spec." Michaud recalled subsequently meeting briefly with the Tremco representative:

> ***Q.*** *Did they make a pitch about their products?*
> ***A.*** *They probably did.*
>
> ***Q.*** *How did you handle that, did you consult with Mr. Saltzgueber or anybody?*
> ***A.*** *I told him I had a visit from a guy from Tremco, and he had this other thing. Is this something we should consider? He (Saltzgueber) probably told me it's not good. I'm just surmising.*
>
> ***Q.*** *And assuming he said that, would you have relied on it?*
> ***A.*** *Yeah, he's the expert. I would have counted on him.*

* * *

Independent roofing experts who evaluated the Edison plans and specifications at the Commission's behest described them as inadequate in scope and completely lacking in the type of detail necessary to guide prospective installation contractors on a project of such magnitude. Further, the roof drawings that were included with the specifications — drawings purportedly prepared by Roof Spec/Design and bearing Abramowitz's official architect's seal —were found to be identical enlarged copies of those that had been submitted to the school board as part of the 1994 feasibility study. Jamil E. Faridy, president of Faridy, Thorne & Fraytak, the architectural firm that prepared the feasibility study, told the Commission that no permission had been given to Roof Spec/Design or anyone else to use the drawings. Moreover, Faridy, who first learned during executive session testimony that Roof Spec/Design had used his firm's feasibility study drawings,

characterized the drawings as inadequate and inappropriate for use in connection with specifications and contract documents for actual construction on a major roofing project:

> *. . .[T]hey're drawings taken out of the feasibility study that were copies of roof outlines which we copied from [the district's] old, very old drawing as a guideline. They were not really roof drawings. . . .They were just an outline of the building saying this is how big the roof is and to identify enough for the builder to say what is roof A. . . .*

For his part, Abramowitz testified that the project specifications were put together and submitted to him for review by Thomas Saltzgueber. Abramowitz told the Commission he performed no evaluation of fire and/or wind resistance embodied by the plans and described the specifications as containing mostly "boiler plate" language and data specifying Hickman materials. He placed his architectural seal on the plans without knowing whether Saltzgueber had even measured the existing roof structures. Abramowitz said he could not recall, or was not aware of, technical requirements inserted in the specifications whose only apparent purpose was to prevent other materials from being substituted for those supplied by Hickman. Asked whether this language would have had the effect of eliminating certain manufacturers or suppliers from having their products considered for the Edison job, Abramowitz agreed that it would. He also testified that although he was Roof Spec Design's president and architect, he had no involvement in subsequent changes made to the specifications. The changes were initialed by Scott Saltzgueber, and Abramowitz said he assumed that Thomas Saltzgueber approved them:

> ***Q.*** *How would you know whether or not there wasn't some unusual or unique detail on those roofs that should have been depicted?*

A. If there was an unusual detail on the roof, Tom would have told me about it.

Q. Given the age of these roofs and the vast or large number of them, don't you think that there were, in all likelihood, some unique conditions that should have been depicted in those drawings?
A. It's possible.

Abramowitz was shown two exhibits regarding the Edison roofing project, both exact enlarged reproductions of roof plans rendered by Faridy, Thorne & Fraytak. One was a set of drawings delineating the roof of the James Madison Primary School, the other a set of drawings for the roof of the Thomas Jefferson Middle School. Abramowitz acknowledged that the Faridy firm was never solicited for permission to use these drawings. Significantly, the Jefferson School analysis in the Faridy feasibility study included an assessment of apparent structural problems that the Roof Spec/Design submission failed to address. Abramowitz was questioned during executive session about this gap in the project plans:

Q. . . .[T]he last paragraph under roof A says, "Existing roof structure has an unusually large amount of movement. Recommend providing a structural analysis of this roof to determine if it is structurally stable. . ." Did you know anything about that?
A. I don't think so.

Q. I don't think, meaning —
A. I don't think this was discussed. I can't remember.

Q. . . .What type of expertise would be needed to do what is mentioned here?
A. Probably structural engineer.

Q. . . .Was that looked at at all in the Edison job?
A. I don't know. I don't remember.

Q. Based upon this, do you think it should have been?
A. Probably.

Q. Does it have the potential at least for being a life safety issue?
A. It's a potential.

* * *

Through its design consulting contract with the Edison Board of Education, Roof Spec/Design received fees totaling $269,000. That included the original fee of $254,000, plus $15,000 awarded to the firm five months later, in December, when the board belatedly decided to proceed with work on one remaining school roof involved in the 1997 project.

The company's total gross earnings from the Edison project, however, were far higher. Based upon his hidden financial connection with W.P. Hickman Systems Inc., Saltzgueber also collected a substantial share of the 25 percent sales commission on approximately $2 million worth of Hickman material sales to the district. That sales commission totaled nearly $500,000. Under a formula that governed the Hickman-Roof Spec/Design relationship, Hickman sales representative Kelcy Pegler collected $332,000, an amount equal to two-thirds of 25 percent of the material sales, while Saltzgueber received $163,000, or one-third of 25 percent of sales. In all, the Edison job enriched Saltzgueber, Roof Spec/Design and Pegler by approximately $764,000.

Nailing Down The Scam

With the design and material-supply phases successfully locked in for Roof Spec/Design and W.P. Hickman Systems, there remained the matter of enlisting cooperative installation contractors who could bring the Edison scheme to an orderly and profitable conclusion. This was accomplished through a skewed contractor selection process that was designed to frustrate competition. Once again, district officials were used as facilitators.

The contractor-selection process was built around a device known as a "mandatory pre-bid meeting," a forum designed to ensure that prospective bidders become familiar with the project before bids are prepared and submitted. The idea is to meet with project officials, pose questions and examine all of the components to develop a basis for accurate cost estimates. Only those contractors who attend the pre-bid session may participate in the actual bidding. Theoretically, this approach ensures that a pool of qualified, seriously interested contractors is available for a given project. In Edison, it was used as a means to facilitate contractor favoritism, if not outright collusion.

The mandatory pre-bid meeting was held at 8 a.m. on June 13, 1997, the same morning it was advertised in the legal notices of a local newspaper. Nevertheless, turn-out was impressive: 18 contractors were represented. Presiding over the session was Thomas Saltzgueber, whose firm collected $175 per attendee — a mandatory, non-refundable "deposit" required for a copy of the project specifications. The Commission examined how it was that so many prospective bidders knew of this meeting, let alone had the directions and wherewithal to get to it in time, if it was unknown to the world virtually until the crack of dawn on the same morning it was held. The answer is that

selective advance notice was given. Six contractors who were present told the Commission that they were tipped off in advance of the meeting either by Saltzgueber or by Hickman sales representative Kelcy Pegler. Indeed, Roof Spec/Design faxed a notice to certain potential bidders on June 11, two days before the newspaper advertisement appeared and the meeting was held. The fax delineated the exact time and location of the session and included detailed directions from both the Garden State Parkway and New Jersey Turnpike.

In at least one instance, a contractor not only received advance notice about the meeting, but he was also given an opportunity to examine school roofs in Edison before the legal notice was even published. That contractor, Toby Chrostowski, president of Jottan Inc. of Jackson, New Jersey, cited his constitutional privilege against possible self-incrimination and refused to answer any questions when subpoenaed to testify before the Commission in executive session and at the public hearing. However, documentary evidence, in the form of a June 25, 1997 letter from Thomas Saltzgueber to Edison School Business Administrator Michaud, places a representative, or representatives, of Jottan on the district's roofs well in advance of the pre-bid conference. According to Saltzgueber's letter:

> *Jottan was on at least six roof areas three or four days ahead of Friday, June 13, 1997. They were aware of the schools to be worked on although not the exact amount of roof areas on each school. They measured the roofs in total, so as to get a jump on the time frame; this is a fact, not an assumption.*

It is noteworthy that Jottan's president, Chrostowski, was once engaged in a for-profit, roofing-related business venture with Hickman sales representative Kelcy Pegler. It

should also be noted that during the years 1995-97, Jottan Inc. paid more than $94,000 to a company owned by Kelcy Pegler, Roof Diagnostics Inc., for "inspections."

While some contractors received advance notice of the Edison pre-bid meeting, others complained that they only learned of it at the last minute, if at all. They also characterized the time frame afforded for submitting bids, a deadline of June 23, a mere 10 days from the pre-bid meeting, as far too restrictive given the magnitude of the Edison project. Representatives of one such contractor, G&M Eastern Contracting Inc., of Asbury Park, New Jersey, testified that the challenge of formulating an accurate bid under such circumstances was complicated by the lack of clarity and detail in the project plans. "They were not the normal looking professional set of drawings that you get from an architect," George Sariotis, G&M's vice president, told the Commission. Company officials said that because of the deficiencies, the only way they could have prepared a reliable cost estimate would have been to examine each roof, a process that would have taken more time than allotted by the district's bidding schedule. An estimator for G&M Eastern attempted a limited survey, but the data collected on-site turned out to be faulty, and the firm's bid had to be withdrawn. The top official of another roofing concern, J.P. Patti Co. of Saddle Brook, New Jersey, voiced a similar complaint, even though his firm was among those who had received advance word of the pre-bid meeting from Hickman's Kelcy Pegler. Charles J. Volpe, Sr., J.P. Patti's CEO, told the Commission that based upon the Edison specifications, his company would have required six to seven days in the field, plus 10 to 15 estimator days, to have prepared an adequate bid. The firm concluded it did not have sufficient time.

Michaud, the Edison official responsible for handling the legal notice, provided conflicting testimony on how the decision was made to hold a mandatory pre-bid meeting and why it was scheduled the same day of advertisement. A district purchase order bearing his signature, dated June 10, 1997, contained the following explicit request: "Please print the following ad in your newspaper on: Friday 6/13/97." Testifying before the Commission in executive session, Michaud said that, at the time, he was not aware the notice appeared the day of the meeting. He said this came to his attention only later when a contractor called to complain about learning of the meeting after the fact. At this juncture in his testimony, however, Michaud also referred to time constraints related to the roofing project:

> *. . .[T]he problem we had was we had a time line. We had to finish the job during the summer, and we had to get this [pre-bid meeting] done before the [school] board met, before the June meeting. We were on a short time line to get it finished.*

Asked who chose June 13 as the pre-bid date, Michaud testified:

> ***A.*** *To tell you the truth, I'm not positive, but I would probably assume it was Mr.Saltzgueber.*
>
> ***Q.*** *Because he pretty much made the decisions?*
> ***A.*** *Yeah, he was kind of running around, getting the stuff together for us. And he said we had to have a pre-bid meeting. I'm not sure why the 13th was picked, to tell you the truth.*

Michaud testified that Saltzgueber assured him the pre-bid meeting had been well-attended, despite the short notice, although he, Michaud, did not independently verify this. He said Saltzgueber characterized the complaining contractor as "one guy who for some reason didn't read the paper. . . .Then he (Saltzgueber) assured me that it

wouldn't be a problem." Michaud said that while he was "happy" with the number of contractors who did show up, he had to "make the assumption some knew in advance that it was going to happen." He said he did not personally participate in any advance notice effort. Further, Michaud said that at no time during this process did he consult with the school board's legal counsel in reference to the advisability of mandatory pre-bid meetings for such projects.

Michaud also testified that, at the time of the pre-bid conference, he was not aware that Roof Spec/Design had assessed each of the attendees a non-refundable deposit of $175 for copies of the plans and specifications. Indeed, he said he did not learn of the fee until October, 1999 as he prepared for his appearance before the Commission:

> ***Q.*** *Were you surprised?*
> ***A.*** *Yes.*
>
> ***Q.*** *Isn't it . . . contrary to what you normally do as the business administrator?*
> ***A.*** *I don't remember. I don't remember having a non-refundable deposit in any of the bids before.*
>
> ***Q.*** *It doesn't sound like a deposit, it sounds like a charge?*
> ***A.*** *That's what it sounds like to me.*

* * *

When the bidding deadline arrived on June 23, bids were submitted by seven contractors. In the final analysis, however, two of the seven withdrew, leaving a final pool of five, all certified by W.P. Hickman Systems as qualified installers of the company's materials. Ultimately, all five, including Toby Chrostowski's Jottan Inc., were awarded contracts for various project phases. In descending order of amounts

awarded, the prevailing contractors were E.R. Barrett Inc. of Millington, New Jersey ($2,764,700); Jottan Inc. of Jackson, New Jersey ($1,844,000); Jackson Roofing Co. of Newark, New Jersey ($1,073,372); United States Roofing Corp. of Norristown, Pennsylvania ($365,000); and Star Brite Construction Co. of Neptune, New Jersey ($387,000). The total amount awarded: $6,434,072.[10]

As work got under way, the district relied more than ever on the word and deed of its design consultant. The Commission examined circumstances surrounding the construction phase and found that deficiencies borne of lax oversight were rife:

- **Missing Building Permits**

  Municipal building permits, required by state law for public school roof repair and replacement projects, were not obtained for work that was to be performed on at least three of the schools. Edward S. Snyder, Edison Township's Building Sub-Code Official, told the Commission that Saltzgueber never supplied his office with any information. Snyder said that when pressed for answers, Saltzgueber would reply that he answered only to the school's owner, the board of education.

- **Contractor Criminal Record/Labor Violations**

  Jackson Roofing Co. of Newark, awarded a project share worth more than

[10] See Appendix p. A-16: Summary of the Edison Township School District roof installation contracts.

$1 million, was found by the Commission to have engaged in a pattern of conduct designed to circumvent state laws governing wage and tax obligations on behalf of its employees. The firm has been the target of multiple inquiries by the State Department of Labor dating back to 1994, when it agreed to pay administrative fees and penalties in connection with wage and hour violations. Also, Jackson's president, Joseph Conzola, pleaded guilty in 1991 to a single-count state grand jury indictment charging him with paying a $4,000 bribe to a state tax auditor in an attempt to reduce approximately $20,000 worth of taxes, penalties and interest owed for the years 1987-89 involving Jackson Roofing. Conzola was sentenced to one year of probation and fined $1,000. In appearances before the Commission, both Conzola and Joseph Gonnella, Jackson's general manager, each invoked his constitutional privilege against possible self-incrimination when questioned about the firm's labor practices.

- **Unauthorized Use of Subcontractors**

Another prime contractor, Jottan Inc., subcontracted a $91,000 portion of the work awarded to it without the knowledge or approval of the Edison School Board, as required by the project specifications. The Commission found that the subcontractor in this instance, Devine Roofing Co., did not possess contractor certification from the State Division of Property Management and Construction.

- **Lack of Certified Employee Payroll Reports**

Certified employee payroll reports were not submitted by four of the five roofing contractors on the 1997 project to the Edison School District administration. Such reports are required by state law during the performance of public construction projects.

- **Unauthorized Change Orders/Substitution of Materials**

Throughout installation, multiple contract change orders were authorized by Thomas Saltzgueber's son, Scott, who was present on-site and falsely identified as vice president of Roof Spec/Design. The change orders, some of which were undertaken without the knowledge and authorization of school district officials, occasionally resulted in the substitution of materials that were less expensive than those called for in the actual project specifications. In instances where materials of lesser cost were used, no adjustments were made in the amount charged to the district.

- **No Inspection Reports**

Despite the clear requirement outlined in the design consultant's contract and in the RFP that the design consultant conduct regular inspections during installation work and provide written inspection reports to the school district, no such reports were found to exist. Neither Michaud, the district's business administrator, nor Jenney, administrative liaison to the school board's Roofing Committee, was aware of any effort to follow up and make sure inspection reports

were submitted. Jenney testified:

Q. Did the school district receive any inspection reports from Roof Spec/Design?
A. At that time, no.

Q. When you say at the time, did they ever get them?
A. I don't know. To this day, I don't know whether they ever did.

Q. Did you get them?
A. I didn't get them, no.

Q. Did anybody ever ask you to look for them?
A. To be honest with you, no.

Michaud told the Commission he was not aware of any inspection reports prepared for the district by Roof Spec/Design or any other entity:

A. I haven't received any.

Q. Have you ever asked for them?
A. No, I haven't.

* * *

Q. . . . I'm just wondering whether you told or anyone told the Saltzguebers they didn't have to submit them or to waive the requirements?
A. I didn't waive anything.

Q. You just didn't realize you didn't get them, or it wasn't an issue?
A. I didn't realize. Well, they wouldn't be coming automatically. They should have been going through Paul Jenney. He was in charge of the project for us and the liaison between us and the committee. I was just assuming we were getting everything we were required to get.

Q. . . . So to your knowledge, no one told Roof Spec/Design that they didn't have to submit them?
A. Not to my knowledge.

Warnings Received, Warnings Dismissed

During the spring and fall of 1997, Edison School District officials received multiple written and oral communications that raised questions about their roofing project. Among other things, the materials included detailed allegations that public-sector roofing projects are prone to corruption and malfeasance, particularly in the context of material costs and in the relationship between design consultants and material manufacturers/suppliers. In each instance, these communications were evaluated and set aside.

On the afternoon of May 22, 1997, just hours before Roof Spec/Design was selected as the district's design consultant, a letter addressed to "school administrators and trustees" arrived on Michaud's desk. It was from Douglas E. Wicks of Basking Ridge, New Jersey, who said he was writing "solely. . .as an interested taxpayer and citizen" while also noting his employment by Roof Maintenance Systems Inc., of Farmingdale, New Jersey, a Roof Spec/Design competitor. "My concern," Wicks wrote, "focuses on a situation which occurs wherein a design professional utilizes the 'free' services of a roofing material supplier in return for the exclusive specification of that firm's materials." He reminded Edison officials that, as part of his own firm's proposal, he had submitted a copy of a news article "relating to the high cost of these proprietary specifications" and suggesting "that the Board review it prior to making the award as it clearly outlines the scam." Wicks proposed that, at a minimum, any firm considered for the design contract be required to sign an affidavit of non-collusion "indicating that they will work independently from any material manufacturer and that they have worked independently in the past." He also urged the district to take steps to ensure that the

design consultant "fully comply" with statutory obligations to "specify materials that can be supplied by a variety of manufacturers. . . ."

Michaud transmitted a copy of the Wicks' letter to Roof Spec/Design's Thomas Saltzgueber the day it arrived. He told the Commission in sworn testimony that he also verbally confronted Saltzgueber:

> ***Q.*** *Did you ask Mr. Saltzgueber about it or anything?*
> ***A.*** *Yes.*
>
> ***Q.*** *And what did he say?*
> ***A.*** *He assured me that there's nothing between him and Hickman, and there's not money changing hands. And he's not doing it. . . .*

Michaud told the Commission he was concerned, and remained so, until he consulted with Joseph Jankowski, Esq., then the attorney for the school board. He said Jankowksi told him that "based on what he was looking at, it didn't look like there was a justification for not giving him (Saltzgueber) the job as the consultant."

Some three weeks later, in a letter to Michaud dated June 12, 1997, after his selection as the design consultant, Saltzgueber addressed Wicks' allegations in greater detail. Noting the complainant's employment by a competitor, Saltzgueber characterized the Wicks letter as 'sour grapes' wrapped in the guise of 'I'm a concerned taxpayer.' He told Michaud "we have not made any 'deal' for the material specification we have prepared" and defended his firm's approach to the project. "In closing," Saltzgueber wrote, "the Edison Board of Education has chosen this firm as the one they feel can best perform the project. They must have felt that we were the most knowledgeable and that we would be uncompromising in our dedication to providing the **best** finished project available, not necessarily the cheapest. The firm of **Roof/Spec Design Inc.** will provide

the architectural services so important in the completion of a ***successful roofing project.***"

(Bold-faced and italic type are in the original.)

* * *

In a letter dated June 19, 1997, Robert F. Martin, president of Roof Maintenance Systems — and Wicks' employer at the time — referenced a conversation he had with Michaud three days earlier and apologized for Wicks' approach. He reiterated that Wicks had acted on his own "as a private citizen." At the same time, however, Martin took the opportunity to outline for Michaud "some of the pitfalls we see daily" with regard to roofing. Prescient, Martin then presented several scenarios to illustrate his point. Among them:

> *. . . [Y]ou have individual roof consulting firms, and it is my understanding that possibly even some architectural firms, who have a very close alliance with a particular manufacturer that markets directly to the schools. The individuals will bid the specific project and in fact do little to no spec work with regard to the project, but rather. . .accept a "canned" specification of a single manufacturer which is then put out to bid. The net result is that the designer spends little to no time designing the system, yet receives a fee. The manufacturer, in turn, receives a prioritized specification of which they, in many cases, have 300% mark up on roofing materials over and above the normal industry price and of which the individual [sales] rep will get a 35% commission. The net result is that you have tremendously inflated costs to some of the public entities.*
>
> * * *
>
> *In the vast majority of these cases, you even have a restricted bidding situation whereby the prioritized manufacturer only has certain people allowed to bid on their materials. It is normally a very closed group. The net result is that there is no competitive pricing, and it results in extremely inflated roofing costs for an owner. In many cases like this, you will see checks made out to both the manufacturer and the roofer. This is one way of recognizing this type of situation.*
>
> * * *

As I said during our conversation, these items are things that really should be discussed prior to any bid being put out on the street so that all personnel involved are aware of potential problems, and they can be eliminated before projects are bid.

Michaud testified that the scenarios enumerated by Martin, if true, would cause him concern. At the time, however, his evaluation of the allegations consisted solely of checking with Saltzgueber and running them by Jankowski, the board attorney. Michaud stated that Saltzgueber assured him once again that none of the allegations were true with regard to Roof Spec/Design and that Jankowski, although concerned, said "he could only go by Saltzgueber's representation. . . . I didn't go any further."

* * *

In a letter dated October 3, 1997 to the Edison Township Board of Education, an attorney for the Johns Manville Corp., a competing manufacturer of roofing materials, complained about "certain irregularities in the bid specifications" and threatened potential legal action. The complaint focused primarily upon circumstances surrounding the mandatory pre-bid meeting that had been held in June for installation contractors. The letter states, in part:

It is patently unfair to require a potential bidder to attend a "Mandatory Pre-Bid meeting" that is not noticed until the actual day scheduled for the meeting. Moreover, the scheduling of the meeting at 8:00 a.m., one hour prior to the hour at which businesses customarily open, is particularly egregious. Furthermore, the fact that the bid specifications themselves, which were not made available until the date of the Mandatory Pre-Bid meeting and the date of the Notice of Bid, further underscores the inability of any bidder other than a bidder "in the know" from obtaining the specifications and complying therewith. The specifications

themselves state the bids submitted by bidders not in attendance at the "Mandatory Pre-Bid meeting" would be rejected. The circumstances of this "public" bid clearly suggest that the Edison Township Board of Education had pre-determined to award the bid to certain specific contractors and developed these unusual specifications and requirements to preclude competitive bidding in the open market.

. . . [S]hould it come to our attention that other "public" bids are noticed by the Edison Township Board of Education in this irregular fashion, we will not hesitate to pursue this matter to the fullest extent of the law.

Michaud recalled receiving the letter but testified he could not remember that it was from someone representing Johns Manville.

The Bottom Line: Excessive Cost, Questionable Quality

In order to determine whether, and to want extent, school districts across New Jersey have paid excessively for roofing repairs of uncertain quality, the Commission turned to three independent experts to assist in evaluating an assortment of projects, including the combined 17-school undertaking in Edison in 1997. Those experts are:

- Thomas Lee Smith of TLSmith Consulting Inc., Rockford, Illinois.
- Thomas A. Ewing of Ewing Associates, Longmeadow, Massachusetts, and
- Paul Brosnahan of Arcom Master System, Alexandria, Virginia.

Each is recognized throughout the roofing industry for his technical expertise in the field. Their work for the Commission was carried out separately from one another, and they prepared separate analyses.

The findings of these experts concerning the Edison roofing projects, together with evidence developed by the Commission, reveal that the district paid as much as $1.1 million more than was necessary for the repairs and/or replacements on all 17 school roofs. Further, the experts' analyses show that, even at this premium price, there are serious unresolved questions about whether the repairs were performed satisfactorily from the standpoint of safety and structural integrity.

* * *

The primary factor in the cost analysis was the specification of products from W.P. Hickman Systems, Inc. to the exclusion of all other suppliers and/or manufacturers.

As noted earlier in this report, Hickman sales representatives typically receive a commission equal to 25 percent of total material sales — more than three times the industry average. In Edison, the sales commission alone totaled approximately $500,000 on material sales of about $2 million. One-third of that commission was secretly shared with Thomas Saltzgueber's Roof Spec/Design Inc., which submitted specifications essentially giving Hickman a lock on the project.

Materials bearing the Hickman label are priced significantly higher than those sold by many other suppliers and distributors. For example, standard hot asphalt used in conventional built-up roofing systems ranges in price from $240-$350 per ton. Hickman sells a rubberized version of standard asphalt priced at more than $1,700 per ton, nearly five times higher. Meanwhile, the company's premium asphalt, a coal-tar pitch modified bitumen, the product specified for the Edison roofs, costs more than $2,600 per ton.

Although Hickman markets its rubberized and modified asphalt as vastly superior in quality and performance to standard asphalt, the independent experts told the Commission there is no technical evidence to support such claims. As Thomas Ewing put it, "no great improvement in the system occurs despite the system's stratospheric cost." In Edison, the underlying premium for materials was sustained by the fact that they were purchased on a per school basis rather than in bulk for the entire project, thus precluding economies of scale. Moreover, the district paid the prevailing list price for every product. There were no discounts, despite the huge size of the project.

Hickman also typically charges twice as much for the same grade of roofing insulation as that available on the wholesale market. Moreover, although the company offers warranties of up to 30 years, and charges 25 cents per square foot for it, nearly double the rate for the industry's standard 20–year warranty, the firm did not start doing business until 1986. Thus, no Hickman system has been in place long enough to test the company's extended warranty. Moreover, all three experts noted that the modified coal-tar process utilized by Hickman has been in existence for only the last several years. The process is so new, in fact, that Paul Brosnahan questioned whether Edison was used as a "guinea pig" to test it.

The experts' analyses show that if the project specifications had not been proprietary, that is, if they had provided a level playing field for Hickman competitors, the district could have saved an estimated $470,000 while receiving essentially the same premium roofing system. The primary reason for this is that head-to-head competition between Hickman and other firms capable of providing the same premium roofing system would have generated discounts ranging as high as 30 percent on the materials alone.

Further, if the district had opted for a conventional built-up roof system, rather than one specified through the Hickman label or any other premium brand name, standard quality roof systems could have been installed on the schools at a taxpayer savings estimated at more than $1.1 million.

* * *

As to the issue of exactly what the district got for its premium outlay, the answer remains unclear for a number of reasons.

According to Thomas Lee Smith, the project plans were so poorly drawn that it is virtually impossible to determine whether the Edison roofing repairs were adequate or whether they actually may have made things worse. It is his belief, for example, that the low-grade quality of the project documents discouraged good installation contractors from bidding. No structural survey of the school roofs was ever performed as part of the project preparations, and no calculation of load capacity, such as from drifting snow, was ever made. The plans skirted other crucial life-safety issues as well, including wind and fire resistance, and failed to address whether certain sections of the sub-surface deck structure, which provides a support base for roof systems, required repairs. Further, there is no evidence that the work, while in progress, was subjected to any regimen of regular, independent inspections. Smith told the public hearing:

> *. . . I don't want the parents of children that are going to the schools to feel, based on my comments, that there are problems in those buildings. There may or there may not be. Now, maybe the system was put together adequately in terms of wind resistance, maybe it was constructed in such a way it has adequate fire resistance, and maybe those deteriorated decks were taken care of. I don't know, but I can*

tell you that the way those documents were prepared, they do not give adequate attention to those issues. . . .[T]he bottom line is that this plan is just totally unacceptable. It's really quite appalling.

Based upon their reading of the project specifications, both Smith and Ewing concluded that the school roofs involved in the Edison project also received inadequate insulation. The heat retention, or "R", value of the specified material was below that required by the township's own building code. Testifying at the public hearing, Ewing observed:

The school district is not only paying more in the product for those roofs, but they're going to be paying for increased energy consumption over year after year after year, because they [the roofs] were under-designed thermally.

ROOFING PROJECT SUMMARIES

Following are summaries detailing the Commission's findings of waste and abuse relative to select roofing projects in other school districts throughout New Jersey.

Manalapan/Englishtown Regional School District

Officials in this Monmouth County school district undertook three separate roof repair projects between 1993 and 1996 at a total cost to taxpayers of nearly $245,000. In each instance, the project costs were unnecessarily inflated as a result of conflicts of interest among key players in the contracting process. The Commission estimates these over-charges, conservatively, at approximately $70,000 — more than 25 percent of the total combined cost — based upon its investigation of the following events and circumstances.

* * *

In 1993, specifications for repairs on the roof of the Peter Friedman Administration Building were prepared by C. Kelcy Pegler, a sales representative employed by W.P. Hickman Systems Inc., a leading Ohio-based supplier of premium roofing materials. Pegler's specifications recommended Hickman products for a portion of the roof and Alcoa Aluminum products for the remainder. As the project was readied

for installation, two contractors submitted bids, Jottan Inc. and Keating Roofing Inc. Keating Roofing, with a low bid of $44,650, was awarded the contract. The investigation revealed, however, that the two firms (Jottan and Keating) were secret partners in a joint company, Lifetime Metal Roofing System Inc., a franchise licensed by the Alcoa Aluminum Co. Also, during actual installation, the Keating firm utilized a subcontractor, Parmese Roofing Co., without the district's knowledge or state certification.

In 1994 and 1996, the district undertook roof repair projects, respectively, on the Clark Mills School and the Lafayette Mills School. In each instance, district officials relied upon the services of Roof Spec/Design Inc., a consulting firm recommended by Hickman's Kelcy Pegler. In each instance, Roof Spec/Design's principal, Thomas Saltzgueber, while under an arrangement in which he was secretly compensated by Hickman, submitted plans and specifications calling for premium products bearing the Hickman label.

The specifications for the Clark Mills and Lafayette Mills projects each included five full pages of technical hurdles designed to keep out competing material suppliers. Supposedly acting independently as the district's design consultant, Saltzgueber had unilateral authority to evaluate any attempt to meet the specifications with non-Hickman products of equal quality. In the case of Clark Mills, he vetoed such a proposed substitution submitted by Chris Anderson Roofing Co., thus preserving a proprietary mark-up of more than 50 percent in the cost of the specified Hickman material. In the process of locking up the Lafayette Mills project for Hickman, Saltzgueber rejected a proposed alternate that would have cut the project's cost by one-third. In that instance, the low bidder, Laumar Roofing Co., threatened legal action and was awarded the

installation contract. However, the firm withdrew when the school board stipulated that a Hickman system be installed at the Laumar's same low-bid price. The contract then fell to the second low bidder, Jottan Inc. Records examined by the Commission indicate that Hickman reimbursed Jottan for legal representation during the bid challenge.

The Commission found no records to indicate that requisite construction permits were obtained for any of the three projects. Moreover, some of the work was performed by an uncertified contractor, Commercial Roofing Co., and without the district's knowledge that the company was owned by Thomas Saltzgueber's son, Scott. Further, there is no evidence to indicate the district was provided with written inspection reports during, or at the completion of, the installations.

* * *

Key Manalapan/Englishtown officials, including business administrator Joseph Passiment and Vincent Pietrucha, the district's physical plant director, testified under oath that they had no knowledge of any conflicts of interest in connection with the three projects. They said they relied on what they presumed to be unbiased roofing expertise provided by Pegler and Saltzgueber.

Pietrucha acknowledged having joined Pegler and his wife for dinner on one occasion and, on other occasions, attending one dinner and a lunch with Saltzgueber. He said the cost was always split. Passiment recalled one occasion on which he had cocktails with Saltzgueber during a New Jersey School Boards Association convention in Atlantic City. He said he also participated in a seminar with Saltzgueber at an NJSBA

gathering. Appearing at the Commission's public hearing, Passiment agreed that the design consultant in school roofing projects is supposed to act as "the [school] Board's representative" to "oversee the project to make sure that the prescribed materials are being used, that the installation is being done adequately and that the taxpayer's money is being spent wisely." Confronted with the Commission's findings, however, and asked in retrospect whether it would have been prudent to rely on Saltzgueber's firm for an evaluation of matters such as proposed material substitutions, Passiment testified, "After the fact, no."

School District of the Chathams

During 1998 and 1999, officials in this Morris County school district invested approximately $356,000 in the repair and/or replacement of roofs at Chatham High School and Chatham Middle School. The project plans and specifications in each instance were strictly proprietary and based upon material provided by sales representatives of a leading manufacturer and supplier of premium roofing products, Tremco Inc. The Commission's investigation revealed that the district could have obtained quality roof systems, while saving as much as $60,000 of the combined cost, if competing options had been brought to the table for equitable consideration before contracts were awarded.

* * *

The 1998 project involved $94,000 in repairs to the high school roof. Although the district had a standing contract for the services of an architect — the firm of Jordan & Pease — no design professional was used in drawing up the plans and specifications. The reason was two-fold, according to executive session testimony by district business administrator Vincent Yaniro: The project was considered by district officials to be too small to warrant architectural attention, and the school board had grown dissatisfied with the rubber type of roof systems that had been installed pursuant to earlier project designs. Yaniro told the Commission that, at the time, he was not aware of a statutory mandate requiring the involvement of a licensed architect in public school roofing projects.

Yaniro testified that in considering alternatives to rubber roofs, district officials looked into various built-up roofing systems, including those manufactured by Tremco. He said the district "checked some references and found that people were satisfied" with the Tremco firm. He then met with a Tremco sales representative, John Marsiglia, to discuss a possible survey to examine the condition of the district's roofs. The inspection was conducted, Yaniro said, at a cost to the district of $5,000.

After the survey, Yaniro said district officials opted for a cold tar built-up roof system of the type sold by Tremco because it was designed to emit fewer fumes during installation. The specifications were prepared and submitted by Marsiglia, replete with boilerplate language typical of proprietary Tremco specifications. Yaniro acknowledged that he did not personally read or otherwise closely examine the document, which included the following unusual disclaimer patently designed to limit Tremco's potential liability:

As neither Tremco itself nor its Representatives practice architecture or engineering, Tremco offers no opinion on and expressly disclaims any responsibility for the soundness of, or the effect upon, any structure or building materials. If any questions arise as to the soundness of or the effect upon any structure or building materials, or the structure's ability to support a planned installation properly, the Owner should obtain opinions of competent structural engineers or other qualified design professionals before proceeding. Tremco accepts no liability for any structural effects or for resultant damages, and no Tremco Representative is authorized to vary this disclaimer.

* * *

In 1999, the district proceeded with a larger, $262,000 project to replace a major portion of the middle school roof. In this instance, the Jordan & Pease architectural firm was brought in to prepare the plans and specifications. However, according to one of the firm's principals, the firm was directed by the school board to tailor the documents around a Tremco roofing system. The firm did so, based upon boilerplate specifications submitted by Tremco sales representative Jack Cremin. At one point, the issue was raised of a possible challenge to the Tremco specifications by installation contractors who might want to use another manufacturer's materials. Yaniro testified that this possibility caused him concern because "I knew it would complicate the process" of getting the project completed in a timely fashion. In a March 24, 1999 letter to board attorney David Rand, Esq., Yaniro suggested the district consider emulating the action of another school board, which, when confronted with a similar situation, adopted a resolution explicitly calling for the Tremco products:

We are in the process of preparing specifications for the replacement of a portion of our Middle School roof this summer. We would like to specify that only Tremco products be used in the application since we included this requirement in

our last roof specifications at the High School and were pleased with the results. The Tremco representative tells us that by specifying Tremco products we are requiring contractors to use only this product since no other manufacturer makes a comparable product. This has caused some complaints from contractors in the past, particularly on large jobs. The Middle School project is approximately $300,000. The High School project we did last year was $95,000 and we received no complaints from contractors.

To head off possible problems with contractors the Princeton Board of Education passed the enclosed resolution noting its rationale and intent to specify Tremco products. It did not have a problem with contractors protesting the bid.

Please give me a call with your opinion. Thank you for your continuing assistance.

The attorney determined that this was allowed because Tremco utilized certain materials, such as adhesives, that were exclusively patented to the Tremco name.

Early in June 1999, shortly after bids were solicited for the middle school project, the Pease firm received a letter from Timothy M. Barrett of E.R. Barrett Inc. of Millington, New Jersey, a roofing installation contractor. The letter requested permission to use a substitute for the Tremco system. Barrett indicated that he would prefer to use a hot-tar application method. After reviewing this, Yaniro said the school board determined that the Barrett request was unacceptable because it did not meet the specification calling for a cold-applied system. Tremco also responded to Barrett's request. Kurt Sosinski, project manager for Tremco's roofing division replied, in part, by disputing assertions that the middle school specifications were proprietary. Sosinski stated that there were several national roofing manufacturers offering systems similar or identical to Tremco's. Confronted later by the Commission with this information, Yaniro acknowledged that he would have preferred the specifications to have been written to include other manufacturers' cold-applied products because "I would want more

competition for a better price." He testified in executive session that, despite the letter he sent to the board attorney expressing concern about possible contractor complaints, it was never made known to him that the specifications could have been structured differently:

> ***Q.*** *Did anybody ever discuss or take that one step further and consider whether it would have been helpful to specify one or two other systems in the specifications? . . .*
> ***A.*** *Not really, because I just assumed the Tremco system was a cold tar application and that another manufacturer that also has a cold tar system can submit a bid on that basis.*
>
> ***Q.*** *. . . Hypothetically, if you learn, however, that the way those specs were written, they were written in such a way to favor only the specified manufacturer, and they could have been written differently to make them more open, say, so that cold tar processes of other manufacturers could have been utilized, I would assume that you would be open to that?*
> ***A.*** *I would have preferred that.*
>
> ***Q.*** *You would have preferred that?*
> ***A.*** *Yes, because I would want more competition for a better price.*
>
> ***Q.*** *As long as you are getting a quality product?*
> ***A.*** *Exactly.*

* * *

An independent roofing expert retained by the Commission, Thomas Lee Smith, principal of TLSmith Consulting Inc. of Rockton, Illinois, examined the Chatham specifications and concluded that there was no justifiable reason to restrict the materials to those of a single manufacturer. Smith noted that there are products available on the market that are essentially equal in quality, if not identical, to those sold by Tremco.

The Commission conservatively estimates that had the district issued open specifications enabling it to shop around among an array of material manufacturers and

suppliers, it could have obtained similar premium roof systems at a savings of nearly $25,000 of the combined cost. Further, if the district had opted for conventional built-up roof systems, the savings would have been approximately $60,000.

Green Township School District

In 1998, officials in this Sussex County district spent more than $176,000 to repair and replace the roof on the Green Hills School. Specifications for the project were prepared by a sales representative of Tremco Inc., effectively shutting out other manufacturers. The Commission determined that the specifications, while laden with technical hurdles aimed at blocking competition, were deficient in a number of areas. Further, it was determined that the district could have saved at least $30,000 if the specifications had been framed in such a way as to open the project to competition from other suppliers and/or manufacturers of roofing materials.

* * *

Robert H. Albanese, Green Township's municipal engineer until 1999, told the Commission in sworn executive session testimony that in 1998 he was asked by then-school district business administrator Marilyn Cuykendall to help prepare specifications for a proposed re-roofing of the Green Hills School. According to Albanese, whose specialty was in sewage and wastewater treatment, it quickly became apparent, despite his lack of roofing expertise, that several key decisions had already been made by the district, including the choice of roofing materials. He met with Cuykendall and Tremco

sales representative Jack Cremin and was presented with manufacturer's technical specifications built around Tremco products. Cremin confirmed that he provided Albanese with a copy of Tremco technical specifications and said he subsequently met with him on two or three occasions to explain how the system was to be installed.

Albanese testified that Cuykendall did not "seem to understand what the normal procedures were in a project of this nature" and that the district's direct involvement in the selection of a particular roof system was unusual:

> ***Q.*** *In other words, it's unusual that the public entity decides on a particular manufacturer?*
> ***A.*** *Yes. Our. . . clients usually define they have a problem and they come to us, and we normally go in there, do a complete inspection, write an engineering report. . .with the scope of the problem, the conclusion of the problem and a cost estimate of the problem. In this particular case, that portion of th[e] normal work that we do wasn't done. We came in after they had already allocated the funds and chosen the roof system.*
>
> ***Q.*** *Did they know generally what the job was going to cost already?*
> ***A.*** *Yes, they had a very good handle on the price. . . .*
>
> ***Q.*** *And who priced it for them?*
> ***A.*** *It was my impression that the same fellow, the representative of Tremco had visited the site possibly more than once and had priced up the project. . . .*

The district paid Albanese a relatively modest fee of $3,000 in connection with the project. He testified that he was given no surveys or reports of existing roof conditions to review and was unfamiliar with Tremco products. Albanese said he examined the specifications and told Cuykendall that they appeared to be overly restrictive. In order to open them somewhat, he said he inserted the term "or equal" in places where Tremco products were unilaterally specified.

Cuykendall, whose position with the district placed her in charge of tasks such as roof repairs, told the Commission in sworn executive session testimony that she invited Albanese into the project after receiving an advisory letter from the State Board of Architects and Engineers directing that a licensed architect/engineer be involved in public school roofing projects. She testified that she approached Albanese even though the district had already retained an architectural firm to produce a facilities evaluation plan for a fee of $7,500. Cuykendall said the school board had been dissatisfied with what it regarded as a lack of specificity in the plan.

Cuykendall said Tremco's involvement with the district pre-dated her arrival as business administrator in 1996, and that she continued the relationship by taking advantage of unsolicited advice and information offered by the company's sales representatives. Cuykendall said she was impressed by the company's warranty and service plan, and, when it came time to move forward with the Green Hills School re-roofing, she felt that Tremco was "defining the standard that I was looking for in the service end of this project." She said she did not evaluate the products, service or warranties of other roofing material suppliers or manufacturers and acknowledged arranging a meeting between Albanese and Cremin. Cuykendall further testified that she knew little about how or why certain language was put into the specifications. She could not recall Albanese telling her that the specifications needed to be less restrictive to other manufacturers' products of equal quality.

During the Commission's public hearing, Cuykendall testified that she was not so much concerned about the source or price of products and materials utilized by the school district but about whether they are adequately serviced once installed:

. . . I guess, in my position, I'm not sure whether I would identify construction paper up on the roof. But if the person is willing to come back and fix it every time I have a problem and to repair the damage, that's what I'm seeking. I'm seeking service, and that's a very difficult thing to go out to bid on. And I think that's where the solution needs to be. I need to be able to call someone that's willing to come out. So, the warranty becomes more important to me than the product.

And that is true in this arena, as well as copy machines. I don't care what the name of the copy machine is anymore, but if the person can come out and fix it when it goes down, that's what I need.

* * *

Thomas Lee Smith, of TLSmith Consulting Inc. of Rockton, Illinois, an independent roofing expert retained by the Commission, conducted a detailed review of the Green Hills School roofing specifications and found a number of deficiencies. "The project manual is poorly written," Smith commented. "It has redundant information, information is included in inappropriate areas and it requires excessively burdensome information from bidders." He also noted that "the designer paid little attention to building code issues. The roofs are very lightly insulated, which will result in greater energy consumption costs over the years for heating." Further, Smith observed that while the specifications indicated that approximately 200 square feet of roof decking required replacement, "no guidance is given regarding where this is to occur, nor is there guidance regarding inspection of the deck by the engineer or contractor. Considering the type of deck and that there were known areas of poor deck, this was a major oversight."

Smith also confirmed the Commission's analysis that the specifications were replete with technical requirements whose only apparent purpose was to foreclose the possibility that manufacturers other than Tremco could be considered. "Considering the

type of products specified," Smith concluded, "there clearly is no justification for making the substitution process so difficult." On the issue of cost, the Commission determined that if the district had utilized specifications allowing for competition in the selection of materials, a similar premium roof could have been obtained at a taxpayer savings conservatively estimated at more than $12,300. Further, if the district had chosen a quality conventional built-up roof for the Green Hills School project, the savings would have more than doubled to nearly $30,000.

Egg Harbor Township School District

In 1998, officials in this Atlantic County district spent nearly $381,000 on extensive roofing repairs at H.R. Swift Elementary School. The process of awarding contracts was manipulated to the extent that a design consultant, taking advantage of an inside connection to the district, was able to specify premium materials from a supplier with which he maintained a hidden financial relationship. This arrangement, sealed through the unauthorized use of blueprints provided in a feasibility study prepared by another architectural firm, was then placed on a fast track when the school board declared that the project was so urgent as to constitute an emergency. The Commission found that had the project called for conventional roofing materials, the district could have obtained a quality roof system at a saving to taxpayers of more than $64,000.

* * *

In January 1998, the Egg Harbor Township School Board received an assessment of school roof conditions from a Cape May Courthouse-based architectural firm, The Design Collaborative Architects and Planners P.A. Among other things, the study formed the basis for a major re-roofing project at H.R. Swift Elementary School. It was not until mid-June, however, some six months later, that the board got down to the business of lining up contractors. Although the district had already worked with The Design Collaborative, and had paid the firm a fee of more than $8,800 for services related to preparation of the feasibility study, the design contract for the Swift project was awarded instead to Roof Spec/Design Inc., a small consulting firm based in Mt. Holly, New Jersey.

The Commission determined that Roof Spec/Design and its principal, Thomas Saltzgueber, were introduced to the district at the behest of John Ramos, the district's operations/facilities manager. Ramos held that position from January 1998 until June 1999. Prior to that, he had been employed in similar capacities in school districts in Ewing Township and Lumberton. In executive session testimony, Ramos described Saltzgueber as "a friend" he first met in 1991 during an annual convention of the New Jersey School Boards Association. Since then, Ramos said, he had developed both a professional and personal relationship with Saltzgueber. He was guest at the wedding of Saltzgueber's daughter in 1995, has occasionally been Saltzgueber's guest at lunch and dinner and has socialized at Saltzgueber's home. Under questioning, Ramos told the Commission he once sold a used, table-mounted copier machine to Saltzgueber for $1,500 — $900 more than he originally paid for it. During an interview conducted by federal investigators, Thomas Saltzgueber stated that he could not get the machine to

function and disposed of it. Further, Ramos said he once collected $480 in the form of a personal check from Saltzgueber that he, Ramos, described as the winnings of a wager made during a golf outing. All of this occurred during the time that Saltzgueber, along with various entities linked to him, was engaged in roofing-related business with the various schools districts that employed Ramos throughout the 1990s.

Ramos told the Commission that he routinely cast a wide net for qualified consultants, architects, material suppliers and contractors. A review of roofing projects over which he presided during his tenure with various school districts, however, showed that at nearly every turn, the roof-design consulting work parceled out under his supervision flowed to Saltzgueber and/or to entities linked to Saltzgueber. Ramos testified that on a number of occasions, he and Saltzgueber discussed the merits of roofing materials from different manufacturers and suppliers and agreed that many offered quality products. But invariably, the supplier chosen for each project handled by Ramos was W. P. Hickman Systems Inc., an Ohio-based supplier of premium materials. When asked why the specifications never recommended materials by any other manufacturer or supplier, Ramos characterized that as a judgement call for which the design consultant alone was responsible. He denied any knowledge of a hidden financial relationship between Saltzgueber and Hickman.

On June 23, 1998, at Ramos' recommendation, the school board in Egg Harbor hired Roof Spec/Design Inc. as the roofing design consultant for the H.R. Swift Elementary School project at a fee of $21,000. The project was then advertised for bids by installation contractors. Less than three weeks later, on July 9, the board met again — this time in an emergency session without advance public notice. Ramos and Saltzgueber

urged immediate action on the installation contract, arguing that time was running short for the project to be completed by the start of school in September. As a result, the board declared the project an emergency and voted to award a contract to Knight Contracting Co., the low bidder.

* * *

The Commission examined the plans and specifications submitted by Roof Spec/Design and found that, in typical fashion, they were technically structured in such a way as to limit the choice of roofing materials to premium-priced products supplied by W.P. Hickman Systems. Further, the project manual included drawings determined to be tracings, or "layovers," of blueprints that had been prepared for the earlier feasibility study by The Design Collaborative. Independent roofing experts who reviewed the specifications on the Commission's behalf also concluded that the documents lacked the requisite architect's seal and contained insufficient detail for use as a guide in the proper performance of necessary repairs. Moreover, no written reports could be found to demonstrate that regular inspections were conducted during installation.

On the issue of cost, the Commission found that if the district had utilized plans and specifications allowing for competition in the selection of roofing materials, a similar premium roof could have been obtained at an estimated savings of at least $26,000. Further, if the district had opted for a conventional built-up roof system for the H.R. Swift Elementary School project, the savings to taxpayers would have exceeded $64,000.

Piscataway Township School District

In 1998, officials in this Middlesex County district spent more than $246,000 for roof repairs to the G.S. Patton High School. The Commission found that the overall cost was inflated by as much as $42,000 as a result of proprietary specifications deliberately crafted to favor a single supplier of premium roofing materials. Further, a consultant with hidden financial ties to the supplier was paid a fee of more than $12,000 to design the project in the absence of a formal contract with the district. The district's own building maintenance personnel complained that they were kept in the dark throughout the project and that they encountered resistance while attempting to monitor the work during installation.

* * *

John R. Suarez, the district's facilities manager between July 1997 and June 1998, told the Commission in executive session testimony that he recommended the school board hire Thomas Saltzgueber as the project's design consultant "because of price." He said he had met Saltzgueber some months earlier during a New Jersey School Boards Association conference and came away impressed. "I just happened to see his presentation in Atlantic City and he sounded like a man who knew what he was doing," Suarez testified. "He had lots of roofing experience. I liked what he had to say and if he was the lowest bidder, I was confident he would do a good job." He said he knew nothing about Saltzgueber's background or about his financial relationship with a leading supplier of premium roofing products, W.P. Hickman Systems Inc. Suarez also said he

never asked whether there were any architects or engineers employed by Saltzgueber's consulting firm, Roof Spec/Design Inc. When it came time to award the design job, Suarez testified, Roof Spec/Design offered to do the job for a fee of $12,800 — less than half the amount bid by a competing consultant, ARMM Associates, that had previously conducted a roofing analysis for the district. Saltzgueber's bid, according to Suarez, included inspections to be performed during installation. Suarez said he had no involvement in the preparation of the specifications or the ultimate decision to specify Hickman products. Further, Roof Spec/Design was retained by the district in the absence of any written contract.

Suarez left the district's employ before construction got under way but claimed to know that the subsequent work was monitored by the district's own maintenance personnel. However, the Commission was told by four district employees that their efforts to oversee the project repeatedly were thwarted. These employees, John Ruby, Suarez's successor as facilities manager; William Landau, the assistant facilities manager; Donald Ippolito, a maintenance supervisor; and Charles Hetzel, a maintenance worker, testified that they encountered resistance in attempting to gain access to the roof during installation and that they were unable to obtain basic information about the project from Roof Spec/Design. The employees described this as a complete departure from their prior experience with roofing projects in the district. At one point, they resorted to the ploy of submitting a work order so that Hetzel had an authoritative reason for examining conditions on the roof. The four testified they were not permitted to review the specifications until the project was near completion in August 1998.

The Commission found that much of the installation work was actually performed by an uncertified Jackson subcontractor brought into the project without the knowledge or authorization of district officials. The subcontractor, ARMCO, is operated by Anthony R. Martin, who was discovered to have a substantial criminal record. Since 1989, Martin has pleaded guilty to a range of criminal charges, including larceny, theft by deception, forgery, conspiracy, passing bad checks and drug possession. He has been fined repeatedly, placed on probation and, in one instance, sentenced to four years in prison.

* * *

On the issue of cost, the Commission found that had the district utilized project specifications allowing for competition in the selection of roofing materials, a similar premium roof could have been obtained at a taxpayer savings estimated conservatively at more than $17,000. Moreover, had the district chosen a built-up roof comprised of quality conventional materials, the savings would have climbed to approximately $42,000.

Florham Park School District

In 1998, officials in this Morris County school district invested $108,700 in repairs to the roof of the Ridgedale School. Circumstances leading up to completion of the job illustrate that even projects of modest cost can be subject to manipulation by unscrupulous contractors. In this instance, the Commission found that the design contract

was awarded to a consultant who undercut other bidders based upon a hidden financial relationship with a supplier of premium roofing materials. Further, the installation contract went to a roofing company that was found to have engaged in a longstanding pattern of wage and labor violations. Without requisite approval from the school board, this firm then handed off much of the work to an uncertified subcontractor who was found by the Commission to have a lengthy criminal record.

* * *

Florham Park officials determined that the Ridgedale School required roof repairs based upon an assessment of roofing conditions prepared for the district by a roofing consultant. However, when the board began the actual project design process, the design contract was not given to the original consultant but to Roof Spec/Design Inc. As in other districts where the firm has operated, Roof Spec/Design's principal, Thomas Saltzgueber, was able to secure the job by undercutting his competition because he secretly received compensation from W.P. Hickman Systems Inc., an Ohio-based supplier of premium-priced roofing products. His firm, in turn, typically submitted plans and specifications favoring the Hickman label. An examination of project documents in Florham Park showed that they were replete with the usual technical hurdles designed to defeat any attempt at substitution of equal-quality materials by competing suppliers.

The Commission determined that if competition had been introduced into the material selection process through open specifications, the district could have obtained a similar premium roof at a savings to taxpayers conservatively estimated at more than

$7,600. Had the district opted for a conventional built-up roof of standard quality, the savings would have exceeded $18,000.

* * *

The Ridgedale School installation contract was awarded to Jackson Roofing Co., of Newark. During its investigation, the Commission found that Jackson Roofing, a Hickman-certified contractor and prominent player in various school roofing jobs across the state, has engaged in a longstanding pattern of conduct designed to circumvent state laws governing wage and tax obligations. The firm has been fined for such violations by the State Department of Labor based upon multiple inquiries dating back to 1994. As was the case in Piscataway, however, the Commission found that much of the installation work was actually performed by a Jackson subcontractor that lacked state certification, Anthony R. Martin's ARMCO, without the knowledge or authorization of district officials.

Lincoln Park School District

In 1998 and 1999, officials in this Morris County district spent nearly $340,000 on the repair and partial replacement of roofs at two elementary schools. An examination of the events and circumstances related to these projects revealed that the district not only spent as much as $57,000 more than it had to, but it also was left with serious questions about whether the work, as specified, was completed in a manner consistent with the best interests of the public safety and welfare.

* * *

In 1995, a comprehensive facilities assessment was conducted for the district by the consulting firm of K. Albert Associates. Among other things, the firm recommended extensive repairs on a number of school roof systems. Two years later, the district moved ahead with the first of these projects, a $167,000 replacement job at the Chapel Hill Elementary School. Rather than contacting the Albert firm or an architect, however, Business Administrator Dr. David Clover invited a sales representative from W.P. Hickman Systems Inc., an Ohio-based supplier of premium-priced roofing materials, to conduct a survey of roof conditions and then provide the school board with a cost estimate. Clover told the Commission in sworn executive session testimony that he knew the Hickman sales representative from roofing projects in other districts where he previously had been employed. The survey was conducted free of charge, although it did not entail procedures often used within the industry to obtain a complete picture of roof conditions, such as test cuts and examinations utilizing infrared technology.

Clover testified that early in 1998, he advised the district's consulting architect, Paul Tiajoloff, that the Hickman representative had gone over the roofs and made some initial rough drawings. Clover said he provided these materials and related paperwork to Tiajoloff and told the sales representative that he could contact the architect if he wished to do so. Clover also acknowledged telling the architect that he, Clover, preferred a built-up type roofing system with a warranty of at least 20 years. Although such systems are at the core of Hickman's business, Clover swore that he did not request any specific manufacturer. Tiajoloff testified that as he set about the task of preparing plans and

specifications for the project, the Hickman representative provided him with a computer disk containing technical specification information related to the company's roofing products. He said he incorporated these materials into the project manual for the Chapel Hill School.

A review of the specifications showed that they favored premium-priced Hickman products to the exclusion of materials of equal quality available from other suppliers and/or manufacturers. Both Clover and Tiajoloff said they were unaware at the time that the specifications were proprietary and riddled with technical hurdles to competition. Clover said it became apparent to him that a Hickman system was specified only when he noticed the Hickman sales representative presiding at a pre-bid meeting for installation contractors. For his part, the architect said he had assumed that other companies could meet the specifications. Tiajoloff also said he was unaware that the specifications contained an unusual clause designed to shield the project's architect — in this case, himself — against potential legal action if something went wrong. The provision, in part, stated:

> *In addition to the normal project guarantees, Manufacturer shall indemnify the Architect for reasonable attorney fees, related expenses . . . [and] the Architect shall be indemnified for a maximum aggregate sum of $100,000 arising out of lawsuits . . .*

Tiajoloff also testified that he was not aware that a warranty issued by Hickman in connection with the Chapel Hill project did not appear to meet the specification requirements relative to potential damage caused by such events as hurricane-force winds and surface ponding of water. As a result of his appearance before the Commission, Tiajoloff requested an amendment to the Hickman warranty specific to these issues. By

letter of March 21, 2000, W.P. Hickman Systems Inc., provided the school district with an "Addendum to the Existing Roof System Warranty" to bring it into accordance with the written project specifications.

* * *

In 1999, the district undertook a similar roofing project at the Pine Brook Elementary School at a cost of more than $170,000. Tiajoloff told the Commission he used the Chapel Hill School specifications featuring Hickman materials as the basis for this project as well. Although no products of equal quality from other manufacturers or suppliers were substituted for Hickman's on either project, Tiajoloff said he took steps to ensure that, in the case of one type of material, a lower-priced Hickman product ultimately was used in place of a more expensive one that had originally been specified.

* * *

The Commission determined that if the specifications for both projects had been crafted so that the selection of materials was governed by genuine competition, the district could have obtained premium roofs of comparable quality at a combined savings conservatively estimated at more than $23,600. Had the district opted for standard quality built-up roof systems, the savings would have topped $57,000.

As to the issue of safety, an independent roofing expert retained by the Commission to examine the Pine Brook School specifications concluded that they were deficient in ways that made it impossible to determine the ultimate structural integrity of

the completed project. Thomas Lee Smith, of TLSmith Consulting Inc. of Rockton, Illinois, said his evaluation revealed that "no [system] requirements for fire or wind resistance are specified. Therefore, it is unclear if the roof system complies with code requirements." In reference to the system's supporting substructure, Smith noted that "there is inadequate guidance given in the project manual regarding where the deck is to be replaced, or in lieu of that, how it is determined if the deck needs to be replaced." Finally, Smith examined the project in relation to energy efficiency and found that because "the roof is lightly insulated . . . the owner will have unnecessarily high energy consumption bills."

Paulsboro School District

In 1992, officials in this Gloucester County school district spent more than $106,000 on repairs to the roof of an elementary school. The Commission found that the cost was inflated by as much as $18,000, and, even at that premium, the district received less than it paid for. The installation was performed by an unauthorized and uncertified subcontractor who put down one ply of material instead of the two plies specified in the project manual. Further, without the district's knowledge, this subcontracting firm was owned by the son of the individual who served as design consultant for the project.

* * *

The project involved extensive repairs to the Loudenslager Elementary School. The design consultant for the job was Thomas Saltzgueber, principal of Roof

Spec/Design Inc., which crafted specifications favoring premium roofing materials supplied by a company with which Saltzgueber enjoyed a hidden financial relationship, W.P. Hickman Systems. Although the subsequent installation contract, totaling $106,400, was awarded to A.F. Callan Co., a South Jersey roofing contractor, the firm did nothing on the job beyond obtaining the requisite performance bond. Without the district's knowledge or authorization, Callan subcontracted the project to a company then known as Pen Jer Del Contracting Corp. for $88,000. The district was also unaware that Pen Jer Del's owner, Scott O. Saltzgueber, is Thomas Saltzgueber's son. Scott Saltzgueber, whose firm was not certified by the state Division of Building and Construction for such projects, signed the requisite construction permit as if he were an A.F. Callan representative. While the Saltzguebers both refused to testify under terms of the Fifth Amendment, information obtained by the Commission from other sources established that Pen Jer Del proceeded to put down a one-ply roof system instead of the stronger double-ply called for in the specifications. Moreover, no money for the job ever reached Pen Jer Del. Rather, Callan forwarded the payments to two other companies identified as creditors of Scott Saltzgueber.

The district was never notified about the use of a subcontractor, as required in the specifications. Elaine Koshu, the district's business administrator/board secretary at the time, signed a sworn affidavit stating she was unaware that Callan had handed the project off to another firm. Everett Bridgeford, an A.F. Callan executive, told the Commission he relied on the design consultant, Thomas Saltzgueber, to deal with district officials on such matters as subcontracting. The job was subcontracted out to Pen Jer Del at the behest of Thomas Saltzgueber.

* * *

As to the issue of cost, the Commission determined that the district could have saved at least $7,400 and obtained a similar premium roofing system if the plans and specifications for materials had been written to allow entrance by Hickman competitors. Among other things, such savings could have underwritten the cost for an independent inspector to ensure that there would be no shorting on materials and that the job would be performed according to the project manual by properly approved installers. The Commission further estimates that if the district had opted for a standard quality built-up roof system, the savings on materials alone would have topped at least $18,000.

Ewing Township School District

Between 1996 and 1998, this Mercer County district spent more than $1.62 million on the repair and replacement of roofs on four schools and two administrative office buildings.[11] In each instance, district officials relied exclusively on the oral assurances of a design consultant, Thomas Saltzgueber of Roof Spec/Design Inc., that the projects were being completed in a timely and economical fashion. Few, if any, basic questions were asked relative to contractor qualifications or potential conflicts, and no independent steps were taken to verify the worthiness of the plans and specifications,

[11] The projects involved the Frederick Ryan Administration Building (1996 — $48,922), W.L. Antheil Elementary School (1996 — $479,000), Lore and Fisher schools (1997 — $497,585), Ewing High School (1998 — $261,400), Fisher Middle School (1998 — $158,100) and the Gusz Building (1998 — $178,210).

or the status of the work. Repeatedly, Saltzgueber arranged for the district to utilize only premium roofing materials supplied by W.P. Hickman Systems Inc., which secretly compensated him. Further, there was no written contract between Saltzgueber and the district, most of the plans and specifications he submitted were not sealed, four of the six projects lacked construction permits, and no written inspection reports were filed.

Based upon its investigation, the Commission concluded that the district could have saved a combined sum of as much as $275,000 if the projects had been handled properly.

* * *

Dennis Nettleton, the district's business administrator, told the Commission in executive session testimony that he contacted Roof Spec/Design when it became apparent that a number of Ewing schools required roofing work. He testified that he had previously done business with the firm while employed by the Lumberton School District. The firm was also familiar to John Ramos who, at the time, was Ewing's building and grounds manager. (Ramos' relationship with Roof Spec/Design and its principal, Thomas Saltzgueber, was outlined earlier in this report under **Roofing Project Summaries** — *Egg Harbor Township School District*.) Given the fact that he had dealt with Saltzgueber on roofing projects for at least eight years, Nettleton acknowledged being "pretty friendly" with him. He also said that he had socialized with Saltzgueber at conventions sponsored by the New Jersey School Boards Association in Atlantic City.

When it came to matters of cost, Nettleton testified that, in his experience, Roof Spec/Design invariably presented design proposals priced "significantly" lower than

those of its competitors. In Ewing, the firm submitted a bid of $93,500, beating by a substantial margin a competing $126,000 proposal from The Design Collaborative Architects and Planners P.A., a Cape May Courthouse-based architectural firm. As a result, Roof Spec/Design was awarded the contract to prepare plans and specifications. The Commission examined these project documents and found that in typical fashion, premium roofing products bearing the Hickman label were specified to the exclusion of all other manufacturers and suppliers. A wide array of technical hurdles was inserted throughout the specifications to ensure that no substitutions could be achieved. In fact, attempts were made on two occasions by other manufacturers to substitute non-Hickman materials. Both were rejected by the individual who was in charge of evaluating such submissions, Thomas Saltzgueber.

In his appearance at the Commission's public hearing, Nettleton testified that prior to construction, he looked over the boiler-plate elements of the various project specifications but did not conduct a technical review and was not aware that they were replete with hurdles to block competition in the acquisition of materials. He said the district relied entirely on Roof Spec/Design to select technically appropriate and reasonably priced roof systems for its schools and denied any knowledge of a hidden financial relationship between Saltzgueber and the Hickman firm. Had he been aware of such a connection, Nettleton said it "absolutely" would have caused him concern because it would have signaled "a breakage" of the fiduciary relationship that should exist between a design consultant and his client. The consultant, he said,

> *has to have some type of independence from the person the material is going to be bought from. And without that independence, he couldn't be used as a consultant.*

Nettleton told the Commission the district also relied on Saltzgueber's advice as to the selection of contractors, particularly in the case of emergency and miscellaneous repair work on roofs throughout the district. The Commission found that Saltzgueber's referrals included companies owned and/or operated by his son, Scott O. Saltzgueber, whose interest was concealed from district officials. In one instance, Scott Saltzgueber's company, Penn Jer Del Corp., was paid $10,298 for roofing and waterproofing work at several locations. One day after Penn Jer Del received payment, the company issued a check for $10,000 to Thomas Saltzgueber's Roof Spec/Design Inc.

As to the issue of inspections, the Commission could find no evidence that any of the Ewing roof projects was subjected to independent monitoring during and/or at the completion of installation, yet money ostensibly was paid for the services. In one instance, payment originated in the form of a $6,000 check from Barrett Roofing Co., the installation contractor on the Lore and Fisher Middle School jobs. The check was deposited on December 2, 1997 into the account of Roof Diagnostics Inc., a company owned and operated by Kelcy Pegler, the Hickman sales representative on that very job. Two days later, Roof Diagnostics issued a check in the same amount to another Thomas Saltzgueber firm, Roof Spec Inc. The check was cashed at a Philadelphia check cashing outlet. The investigation revealed that no written inspection reports were filed with the district, despite the payments. Confronted with these facts, Nettleton testified:

> ***Q.*** *Would you know why a contractor on the Ewing High School and Fisher Middle School jobs would have paid Roof Diagnostics?*
> ***A.*** *A contractor?*
>
> ***Q.*** *Yes, a roofing contractor. Would you know why they would have paid Roof Diagnostics for inspection services on those jobs?*
> ***A.*** *No, I would have no knowledge about that.*

Q. Would it cause you any concern if an inspection service, such as a company I just mentioned to you. . .was owned by a manufacturer's representative and they performed the inspection services on —
A. Yes.

Q. — on the job?
A. I — yes, that would.

* * *

As to the issue of cost, the Commission found that the district, conservatively, could have achieved a combined savings estimated at more than $113,000 on material costs alone — and obtained similar premium roofing systems — if the projects had been designed and specified in such a way as to open the material selection process to Hickman competitors. In this particular instance, Saltzgueber, Pegler and the Hickman sales representative in whose territory the school district was located, split sales commissions calculated based upon 116 percent of the project's overall material costs. Further, had the district opted instead for conventional built-up roof systems, the combined savings would have exceeded $275,000.

Maple Shade Township School District

In 1994, this Burlington County district spent more than $300,000 to repair and/or replace roofs on Maple Shade High School and Maude Wilkins Elementary School. From start to finish, district officials ceded complete responsibility for the projects to a salesman representing the interests of Tremco Inc., a major Ohio-based manufacturer of premium-priced roofing materials. The Commission determined that as a result of this

arrangement, which essentially eliminated competition from the material selection process, the district spent as much as $51,000 more than it had to in securing quality roof systems.

* * *

Steven Marinoff, the district's business administrator, told the Commission in sworn executive session testimony that Maple Shade officials had relied for many years on technical advice, plans and materials provided by Tremco sales personnel, who regularly visited the district to survey roof conditions at no cost. In June 1993, Marinoff requested that Tremco sales representative William Maier conduct such an inspection to determine how much money the district would need to set aside for repairs to the two schools in its latest annual spending plan. Marinoff testified that several months later, as the school board crafted a repair budget based upon Maier's survey, he became aware of a state requirement mandating that a licensed architect be involved in the process of drafting plans for public school roofing projects. Subsequent discussions produced an arrangement in which Maier agreed to provide the district with a qualified consultant to prepare the specifications. Asked during the Commission's public hearing why the district did not retain an independent design consultant on its own, Marinoff replied, "The district, obviously, could have done that, but he (Maier) offered the services. . .and we felt that was a good solution." Marinoff also testified that the district, based upon previous experience, was intent on obtaining a "Tremco product or equivalent."

Maier proceeded to recruit a consulting engineer, Lamont H. Czar, P.E., principal of Czar Engineering of Egg Harbor Township. He then provided Czar with a boilerplate

set of Tremco technical specifications, which formed the basis for the project specifications calling for Tremco materials. Technical hurdles inserted in the document ensured that no substitutions of alternate equivalent materials would be likely. Under the terms of his contract, Czar was to be paid a fee of $5,000 by Tremco for his services. In an unusual twist, however, Czar never received any payment directly from Tremco. Instead, he received the fee in three installments from J. Wilhelm Roofing Co., of Vineland, which had secured the installation contract. Maier told the Commission he arranged payment in this fashion because "it was easier for me to do this. It saved paperwork. . . ." Marinoff testified that he did not review the specifications in detail and had "no knowledge of how" Czar was paid. The Wilhelm firm's president, John Wilhelm, testified that he could not recall any discussion with Maier as to why the school board did not pay Czar. Wilhelm said he believes that Maier told him that if he, Wilhelm, paid Czar's bill, then Wilhelm would not be charged for monitoring services by Tremco, as required in the specifications.

* * *

Thomas Lee Smith, of TLSmith Consulting Inc. of Rockton, Illinois, an independent roofing expert retained by the Commission, conducted a detailed review of the Maple Shade project specifications and concluded that there was "no justifiable reason" for limiting the materials to those manufactured and supplied by Tremco. "In some instances," Smith noted, "other products that are available are not identical . . . but they are capable of providing service that is equal [to] or greater than the Tremco . . . products."

The Commission determined that the district could have obtained similar premium roofs at a combined savings in excess of $21,000 on both schools if the process of selecting a material manufacturer or supplier had been subjected to competition. If the district had opted for conventional built-up roof systems of standard quality, the savings would have topped $51,000.

Clark Township School District

Between 1991 and 1997, officials in this Union County school district undertook three separate roof repair/replacement projects at a combined cost of nearly $450,000. In each instance, no design professional, architect or engineer was utilized in the preparation of technical plans. Drawings used as a basis for installation were sketched by an amateur, and municipal construction permits were obtained for only one of the three projects. Further, the specifications for each were based upon documents and other materials that called for premium roofing products manufactured by Tremco Inc. The Commission determined that, in addition to obvious questions about the soundness of the design process raised by these circumstances, the district paid as much as $75,000 more than was necessary to obtain roof systems of adequate quality.

* * *

Township School Superintendent Dr. Paul Ortenzio, an administrator whose academic background includes history, philosophy and education, told the Commission in sworn executive session testimony that he is essentially self-taught in the technical

aspects of commercial roofing. Nonetheless, beginning in 1991 with a $296,000 re-roofing job on the Frank K. Hehnly School, Ortenzio took it upon himself to design, orchestrate and oversee a trio of complex roofing projects.[12] His goal was to save the district the expense of hiring outside service professionals. He testified that he did not become aware until 1998 — after all three projects were completed — that New Jersey state law requires involvement by a licensed architect or engineer in public school roofing projects.

As a basis for each project, Ortenzio testified that he utilized a set of sample specifications he obtained at a meeting of school business officials in Union County in the mid-1980s. The technical requirements contained within these specifications were derived from manuals and other documents prepared by Tremco Inc., a leading Ohio-based manufacturer of premium-priced roofing materials. Ortenzio testified that he "pretty much" copied the specifications, modifying them for each of the district's projects. He said he received no input on specifications from any sources other than Tremco sales personnel. Project plans consisted of drawings and/or sketches hand-prepared by Ortenzio. He acknowledged being unfamiliar with certain technical standards for roofing materials and was unable to verify whether the data contained in his specifications were current. Ortenzio also told the Commission he was unaware the specifications incorporated language that had the effect of restricting the source of materials for each project. Further, he could not recall whether the existing roofs were subjected to any tests, such as for moisture or asbestos content, prior to installation.

[12] The other projects involved the Carl F. Kumpf and Valley Road schools (1995 — $103,000) and the Arthur L. Johnson High School (1997 — $46,000).

A review of municipal records revealed that no construction permits were obtained for the 1995 Carl F. Kumpf and Valley Road schools projects or for the 1997 re-roofing of Arthur L. Johnson High School. The requisite permit was in place for the 1991 Hehnly School job. Asked if there was a reason for the absence of permits on the two subsequent projects, Ortenzio replied, "I don't remember anything." As to the issue of inspections, Ortenzio told the Commission that, despite an otherwise full administrative schedule, he personally monitored the work to guard against unauthorized substitution, shorting or theft of materials.

* * *

The Commission determined that if the Clark roofing projects had been handled to allow competition between multiple suppliers, the district could have obtained similar premium quality roof systems at a savings conservatively estimated at more than $31,000. If the district had opted for conventional built-up roof systems of standard quality, the savings would have exceeded $75,000.

IMPROPER LABOR PRACTICES/ PAYROLL VIOLATIONS

Public-sector roofing is prone to an assortment of labor and payroll abuses that constitute a significant drain on tax revenue, threaten the quality of workmanship and undermine the economic viability of legitimate elements within the industry. State Labor Department personnel who testified at the Commission's public hearing characterized the abuses as serious and widespread. Nelson Reeder, then-chief of Public Contracts for the department's Division of Wage and Hour Compliance, estimated that at least 75 percent of all public roofing contracts in New Jersey are impacted in some way by violations of state labor laws.

The abuses examined in the context of this investigation formed the underpinning of efforts to subvert bidding and contracting of school roof installations. The Commission found a pattern of conduct in which contractors secured school roofing jobs by submitting low bids secretly conditioned on the fact that their laborers would be paid at a rate substantially less than the legally mandated prevailing wage. Officials testified that it is not unusual in such instances for the low bidder to pocket the difference between the prevailing wage and the actual rate of pay. Contractors also cut their own costs by failing to make requisite employee payroll deductions for state and federal income, Social Security and Medicare taxes, and disability insurance and unemployment benefits, and by failing to remit their own corporate contributions toward these benefits.[13] Further,

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[13] The Commission previously exposed widespread abuses of this nature in its investigation and 1997 report, ***Contract Labor — The Making of an Underground Economy.***

certified payroll forms that are required to be filed for school roofing projects were found in many cases to be either non-existent, incomplete or replete with phony employee social security numbers and false data relative to hours worked and hourly wage rates. The ultimate result of all of this, officials testified, is that school districts can easily be tricked into believing they are getting a solid roofing job at substantial savings when, in fact, the workmanship may be questionable and the savings negligible.

Contractors who engage in this type of activity typically employ unskilled immigrant laborers, many of whom are undocumented aliens residing in the United States illegally. Raymond Smid, a senior field representative and acting district supervisor for NJDOL's wage and hour compliance division, told the Commission that contractors often use a heavy hand to keep such workers in line:

> ***Q.*** *. . . Have you seen any threats given to the workers or any attempts to intimidate the workers into not reporting [abuses] or not cooperating with the authorities?*
> ***A.*** *Yes. A lot of times, workers will come forward and tell us that they have been threatened that if they say anything, they're going to be fired or physically hurt.*
>
> ***Q.*** *What difficulties have you encountered during the course of your investigation?*
> ***A.*** *A lot of times, when we go on the job sites, the employees hav[e] been told to lie to us and tell us that they are getting the proper [wage] rates, or just not to say anything to us. And, you know, they're fearful for their jobs and everything. And a lot of times, the public bodies don't have complete records, and just the payroll records of the company, in general, a lot of times, are vague.*

Three immigrant workers whose identities were concealed for their own protection testified that they were routinely paid substantially less than the prevailing wage amounts that appeared on the payroll paperwork prepared and maintained by their employer while

employed on public-school roofing jobs in New Jersey. At the same time, the witnesses said, their pay stubs regularly understated, by at least half, the number of hours that they had actually worked. They were refused overtime pay and received no health or pension-related benefits. The witnesses testified that when they took their complaints to the New Jersey Department of Labor, a company manager subjected them to threats and intimidation. They said they were instructed not to respond to any letters sent to them by the NJDOL but to turn them into the office at the company's headquarters. These witnesses also described menacing working conditions. They said the company provides its workers with no protection against possible contamination and injury from toxic substances contained in materials routinely applied during school roofing projects. Burns and other injuries are not unusual, they said, and the workers themselves are responsible for bringing protective garments to each job site.

* * *

The Commission examined the activities of one leading installation contractor in the New Jersey school-roofing industry, Jackson Roofing Co. of Newark, and found that it has been the target of repeated inquiries by the NJDOL. In 1994, the firm was fined and ordered to pay thousands of dollars in back pay to its workers for a series of wage and hour violations. In 1999, a NJDOL audit found that Jackson underreported more than $100,000 in wages in connection with a re-roofing project at Paramus High School. During the Commission's hearing, NJDOL officials revealed that as of December 1999, the wage and hour division was actively investigating approximately six additional roofing projects where Jackson served as an installation contractor during 1997 and 1998.

Settlements were reached in each instance. Subsequent to the hearing, the Commission learned that three additional investigations were opened by NJDOL into roofing projects performed by Jackson at three school district sites during the summer of 1999.

The Commission also found that Jackson has engaged in a series of ploys designed to help it avoid state and federal tax obligations, and to disguise the actual number of workers in its employ. An examination of the firm's financial records showed that many workers hired by the firm were paid, in part, through the accounts of a secondary entity, JED Contractors Inc., which listed them as independent contractors, not employees. Under the tax laws, independent contractors are responsible for remitting their own state and federal income tax and employment liabilities. Thus, Jackson was freed of certain primary tax liabilities, at least on paper. The amounts were significant. During 1997 and 1998, for example, approximately $1.1 million in wages were paid to Jackson employees through JED Contractors. This artifice enabled Jackson to avoid paying a combined total of approximately $223,000 in state and federal employment tax liabilities, which included Social Security and Medicare taxes and unemployment and temporary disability insurance.[14]

A review of payroll rosters for Jackson Roofing and JED Contractors for the same two-year period showed that both were replete with questionable or patently false social security numbers. Jackson Roofing also submitted inaccurate and incomplete payroll reports for various school roofing jobs. A Commission surveillance in August 1999, for example, established that most of the members of a Jackson work crew assigned to a roof

[14] See Appendix p. A-17: Chart showing unpaid state and federal unemployment tax liabilities by JED Contractors Inc.

repair project at Park Ridge High School in Bergen County were never listed in certified payroll documents required by state law.

In another instance, a Jackson subcontractor generated identical payroll reports covering the same time period and listing the same employees, same hours worked and same wages paid for two separate school roofing projects carried out in two different school districts — as if the same workers had been engaged simultaneously at different locations.

Officials of Jackson Roofing and JED Contractors refused to respond to questions on these and other matters, citing their constitutional privilege against possible self-incrimination.

* * *

The Labor Department witnesses testified that beyond the individual workers themselves, the ultimate victims of these abuses are honest contractors who submit legitimate bids only to find that they are repeatedly undercut. Nelson Reeder, then-Public Contracts Chief for the Wage and Hour Division, told the Commission:

> *The legitimate contractors who try to comply with our laws don't get a chance to ever work because somebody underbids them on every single project. We have seen businesses actually end, close their doors and go under, because they can no longer compete. . . .We do sympathize with them, and I only wish that we could give them better enforcement of our laws so they would get their share of public construction.*

Reeder said the department itself is frustrated by the scope of the problem.[15] He said limited resources make it impossible to monitor every project and difficult to

[15] See Appendix p. A-18: Letter from Nelson Reeder to SCI Executive Director James J. Morley.

conduct detailed investigations. Further, he said the current means by which unscrupulous contractors can be prohibited from bidding on public projects — a process known as debarment — is complicated and time-consuming, leaving a large backlog of unresolved cases. Reeder also testified that the monetary penalties currently available to punish repeat offenders are inadequate and ineffective.

> ***Q.*** *. . . It would appear that for the repeat offender, paying the penalties and whatever assessments there are could almost be considered the cost of doing business?*
>
> ***A.*** *It absolutely is. They know how thin we are stretched. They know if they do 10 jobs, we're lucky if we only monitor a couple of them. So, whatever they get away with . . . on the other eight . . . they got away with.*

OCEAN TOWNSHIP SCHOOL DISTRICT:

SEIZING THE INITIATIVE

In 1994, officials in the Ocean Township School District in Monmouth County took it upon themselves, literally, to make sure their schools would be equipped with quality roofs at a reasonable cost to the taxpayers. Dissatisfied with the performance of an outside contractor hired to undertake repairs two years earlier, they decided to explore alternatives when the time came for another project. They hired their own full-time roofers, secured their own materials and had their own employees do the work. In the process, they saved more than $1 million, established clear lines of oversight and accountability, and acquired permanent expertise for future roof maintenance and repair projects. On a statewide scale, the Ocean Township experience represents but a small piece of the public school roofing picture in New Jersey. Nonetheless, the Commission believes it is an instructive piece, an example of how public entities, utilizing their own employees, can sometimes undertake basic construction more efficiently than their private-sector counterparts.

* * *

Loren C. MacIver, the district's business administrator, and William McKeon, the superintendent of building and grounds, appeared at the Commission's public hearing. They said the district adopted a hands-on approach to roofing in 1994 when it became apparent that the same contractor that had installed an elementary school roof in 1992

would be the low bidder for repairs to the roof of the district's intermediate school at a cost of approximately $700,000. In addition to concern over this looming expenditure, McKeon said the district was not eager to proceed in this fashion because unexpected problems during the earlier project had caused "a lot of damage. . .to the school, the interior of the school" and in difficulty getting the work completed before the start of the regular school term.

As a result, the district set about exploring the possibility of obtaining its own in-house roofing team. While the hiring of full-time licensed tradesmen is unusual for public entities, it was hardly a novelty in Ocean Township. As early as the mid-1980s, the district began putting specialists on its building and grounds payroll on the theory that it would be cheaper and more efficient than retaining outside contractors or relying on generalists among the maintenance staff. The district currently employs two licensed electricians (not counting McKeon, who also possesses an electrician's license). At the time of the public hearing, the district was also seeking to hire a licensed plumber. According to the witnesses, although the district's collective bargaining agreement mandates premium pay for such licensed personnel, the investment has proved worthwhile both in terms of new work and preventive maintenance.

Ocean Township officials soon discovered the same can apply to roofing. Opting for a do-it-yourself approach, the district in 1994 hired two experienced roofers. The district bid the materials; the roofers, with the assistance of temporary help, installed a roof on the intermediate school. The project worked out so well that district officials decided to employ the same strategy for subsequent roofing projects on the elementary and high schools. The overall cost for all three projects totaled approximately $400,000,

an amount estimated to be less than one-third of what the district would have paid using outside contractors. One component of the savings was embodied by the salaries of the roofers themselves. According to MacIver, even at annual salaries of $38,000 plus standard benefits, their hourly rate is between $15 and $17, one-half the prevailing wage for outside contract roofers. Also, when not engaged in their specialty, the district's roofers are available for other repair and maintenance work.

Beyond budgetary savings, MacIver said the in-house roofing initiative has enabled the district to establish a regular preventive maintenance regimen in which all school roofs are examined once a month for cracks and leaks:

> *It permits us to make immediate repairs. It allows us not to be held mercy to just time in the continual leaking and leakage problems. It allows us to ensure very quickly that there'll be no moisture inside the school building and, from that, any deterioration of the internal structure.*

MacIver said the program gives the district added advantage of being directly involved in monitoring both the material selection and the quality of the work:

> *. . . [I]t gives us a real assurance of answering the question of accountability, that we're not going to see a conflict between materials and contractor. We're going to have individuals who, tomorrow, are going to draw a paycheck from us, receive their benefits, and are part of our internal working group, who, if they did not do the job correctly, would be answerable for it and we would correct it again.*

As to the question of a warranty in the absence of one typically provided by an outside contractor, MacIver told the Commission:

> *. . . [T]he Township of Ocean School District maintains a very, very broad general comprehensive liability insurance policy that certainly provides a degree of protection from damage and storm damage that. . .a general warranty would. .*

. . I think I have a warranty in knowing who I'm dealing with that is not subject to second parties, a contractor or third-party materials problems. I consider it a very good warranty.

REFERRALS AND RECOMMENDATIONS

The Commission refers the findings of this investigation to the following government agencies for whatever action they deem appropriate:

- Office of the New Jersey Attorney General, Division of Criminal Justice
- Office of the Inspector General – Fiscal Integrity in School Construction Unit, New Jersey Attorney General's Office
- Office of the United States Attorney
- United States Internal Revenue Service
- New Jersey Division of Taxation
- New Jersey Department of Labor, Division of Wage and Hour Compliance
- New Jersey State Board of Architects and Board of Professional Engineers and Land Surveyors

* * *

The Commission's findings demonstrate a critical need for officials at all levels of government in New Jersey to take steps that will safeguard the quality and integrity of publicly funded construction projects, particularly those related to schools. Pursuant to that goal, the Commission has fashioned a detailed set of recommendations calling for statutory and regulatory reforms in laws related to bidding and contracting, the selection of project design consultants, technical assistance and oversight. Given the scope of the abuses uncovered during this investigation, the Commission urges the enactment of legislation that would make these recommendations applicable to all repair, renovation and construction projects undertaken by school districts and local governments without

limit to roofing or any other specific type of project. The Commission is mindful that several initial steps toward stronger oversight and accountability regarding such projects have been enacted through the Educational Facilities Construction and Financing Act *(Chapter 72 Laws of New Jersey 2000)*. The reforms proposed herein would provide the state and its localities with additional significant tools to protect the public interest.

Ultimately, the Commission is constrained to point out that, aside from explicit statutory changes, there is no substitute for the exercise of common sense and awareness by public officials in the discharge of their duties on behalf of the taxpayers. For any system of reform to be effective, the contracting entities need to pay greater attention to all repair, renovation and construction projects. The Commission thus cannot emphasize enough that the interest and involvement by school districts and local governments is critical to the process.

1. Oversight, Accountability and Assistance

The Educational Facilities Construction and Financing Act designates the New Jersey Economic Development Authority (NJEDA) as the lead agency responsible for screening bidders, developing project specifications, awarding contracts and overseeing construction. While this role may have been vested more appropriately in an entity with broader experience in all phases of public construction, such as the New Jersey Building Authority, the selection of NJEDA nonetheless represents an important step toward establishing a centralized mechanism to administer this unprecedented investment of tax dollars. Even given its new powers and responsibilities, however, the NJEDA's reach will be limited. Under the statute, the agency's involvement is mandatory only for school

districts in the following categories: "special needs" or "Abbott" districts, districts subject to level II monitoring, and districts receiving state financial assistance equal to 55 percent or more of a project's cost. These categories account for a total of approximately 75 districts. All others, more than 500 school districts across the state, may undertake projects on their own or request NJEDA involvement. To ensure that proper and effective oversight, accountability and assistance is provided statewide, the Commission recommends the following:

- A special unit should be created within a statutory framework within the New Jersey Department of Community Affairs (NJDCA) to develop model specifications; review project specifications; oversee renovations, repairs and new construction; and enforce construction contracts in all of New Jersey's public schools and local governments.

- Both the new NJDCA unit and the NJEDA, which will work in concert, should be provided with sufficient staffing and resources to ensure that their respective roles are meaningful.

- Projects in all school districts, whether undertaken within or outside the scope of the Educational Facilities Construction and Financing Act, should be subject to the review and enforcement activities of the new NJDCA unit.

- A mandatory educational program for school administrators and other public officials who handle renovation, repair and construction projects should be implemented under the direct auspices of the NJDCA. The program should

include material relevant to bid procedures, and should provide comprehensive information with regard to the writing of project specifications and to the types of products and systems available for roof repairs/replacements and other types of projects. The program should also address the relative costs of premium and traditional/conventional roofing and alternative product systems.

2. *Preliminary Investigation Report*

When a school district believes a roof requires repair and/or replacement, and plans to undertake the necessary construction on its own, the district should be required to seek proposals for a preliminary investigation and report from qualified architects, engineers or roof consultants as follows:

- The request for proposals should identify the general scope and time frame for completion of the report. It should request the consultant to: (a) identify an approach for conducting the investigation and preparing the report, (b) provide documentation demonstrating that the consultant is qualified to perform the work, (c) provide a report of similar scope that was prepared for another client, and (d) provide five references each from public building owners, roofing contractors and other consultants (architects/engineers/roof consultants).

- The school district should select a firm based on the firm's qualifications and its approach to conducting the investigation. The district should then enter into negotiations with the firm regarding compensation. The consultant should briefly look at the roof and interview persons familiar with the roof's history. Each district should maintain a log book or history chart on their buildings. School officials should point out all known defects to the consultant. The consultant should also be advised if preliminary construction cost estimates are desired for proposed options, and whether litigation is anticipated in connection with the existing roof. The consultant should develop a fee proposal, based on either "time-and-materials" with a guaranteed maximum limit, or a fixed fee. Because of unknown conditions associated with preliminary investigations, the first option is typically preferred.

3. Selection of a Firm for Final Design and Preparation of Contract Documents

After receipt of the preliminary investigation report, a school district should seek proposals from a qualified architect or engineer to prepare contract documents for repair or re-roofing in accordance with the recommendations in the preliminary report as follows:

- The request for proposals should identify the general scope and time frame for completion of the contract. It should request the consultant to: (a) identify the

intended approach for preparing the design and conducting additional investigations, if needed, and preparing the documents, (b) provide documentation that the consultant is qualified to perform the work, (c) provide a set of contract documents of similar scope that was prepared for another client, and (d) provide five references from each of the following categories: public building owners, other consultants (architects/engineers/roof consultants) and roofing contractors.

- The district should select a firm based on the firm's qualifications and its approach to preparing the design and the documents. The district should then enter into negotiations with the firm regarding compensation. Typically, the scope of work should be adequately defined to allow a fixed fee to be developed for design and document preparation. Construction contract administration (e.g., submittal review and periodic field observations) typically lends itself to a payment or a "time-and-materials" basis.

- After a firm is awarded the contract, it should study the preliminary investigation report and conduct field examinations to become familiar with the project. If the firm is uncomfortable with proceeding with the recommendations given in the preliminary report, the firm should submit a written report to the district, presenting its concerns and reasons for them, and recommending how it wishes to proceed. For example, if the preliminary report recommends two roof system options, but the consultant desires to

specify a different type of system, the reason for doing so should be adequately documented.

4. Preparation of Project Manual (Specifications)

The process of preparing project specifications in all instances should include the following requirements:

- The design should comply with the building code. If the building code does not include energy conservation requirements, the design should also comply with the International Energy Conservation Code.

- Current editions of American Institute of Architects (AIA) documents (e.g., General Conditions) should be used.

- The specifications should be based on a current edition of an automaster specification, such as MASTERSPEC®, SpecLink™, or SPECTEXT™. The specifications should be tailored for the project. Specification criteria regarding qualifications of the contractor are critical.

- Specifications based upon generally accepted standards in the applicable industry as opposed to the use of specifications calling for unique or proprietary materials should be utilized. Products should be specified by reference to ASTM (American Society for Testing and Materials) product standards. For products not covered by a consensus standard, specified

criteria should be rationally based. If manufacturers are listed, a minimum of three manufacturers should be listed. In rare circumstances it may be appropriate to list only one manufacturer. However, the consultant should provide written documentation to justify doing so.

- The material price list should be distributed with the project specifications and other bid documents to ensure that a record exists as to whether all eligible bidders were offered materials at the same price.

5. *Preparation of Contract Drawings*

In all instances, a roof plan should be accurately drawn and of sufficient size to provide adequate guidance to installation contractors. It should show all roof penetrations and detail references. Details, tailored to the project, should be provided to show typical and special conditions.

6. *Review of Contract Documents*

After completion of the documents, a school district should submit the documents to the DCA unit established in Recommendation #1, to conduct a peer review of the documents. Alternatively, the school district may retain a qualified architect, engineer or roof consultant to conduct a peer review of the documents. The reviewer should recommend if a second review is needed after the documents have been revised.

7. Construction Contract Administration

Processes related to construction contract administration in all instances should include the following requirements:

- Advertising for public renovation, repair and construction projects should be done in construction and other periodicals with wide circulation, e.g. *FW Dodge Reports, Philadelphia Construction News, Browns Newsletter,* and well in advance of bid due dates. The time period provided by statute for preparation and submission of the bids should be expanded for repair, renovation and construction on public facilities, to provide sufficient time for prospective contractors to adequately prepare their bid proposals. The Legislature should specifically address the critical timeframe between the pre-bid meeting and the bid due date which was found to be inadequate on a complex roofing job such as the Edison project. The Legislature should also consider extending bid time requirements on public projects in areas beyond construction, if appropriate.

- Public advertisement at least ten days in advance of a mandatory pre-bid meeting should be statutorily required. If a sufficient notice requirement is not statutorily enacted, failure to attend a pre-bid meeting should not disqualify an otherwise qualified bidder.

- If a properly advertised pre-bid conference is held, the consultant should prepare meeting minutes.

- The consultant should review all submittals thoroughly and should insist that all specified submittals are received. The consultant should also verify that the contractor obtained a building permit.

- The consultant should conduct frequent field inspections. The first one should occur on the first day of actual work. If the contractor's skill is marginal, the frequency and duration of the inspections should be increased. In some instances, full time inspection may be appropriate, either by a member of the consultant's staff, or by another consulting firm retained by the consultant or hired by the school district. A written report of each day's field inspection should be prepared by the consultant.

8. Project Close-Out

In all instances, the process of closing out projects should be subject to the following requirements:

- The consultant should deliver a set of the approved submittals and executed warranty, if specified, to the district, all of which should be retained in a permanent file with the contract documents.

- Project managers including school boards should be required to complete periodic and final contractor and architect/engineer/consultant performance

evaluations as required by the State Department of Treasury, Division of Policies and Procedures.

9. Pre-Qualification

Requirements and pre-qualifications for all state, county, municipal and other public projects should be standardized. Local governments, school districts and other municipal bodies should be required to use consultants, who have been pre-screened under existing or new classification systems. Adequate resources should be supplied to those offices to thoroughly scrutinize consultant, contractor and subcontractor submissions. Contractors should be prohibited from subcontracting work to unapproved contractors.

10. Disclosure

In all instances, the following disclosure requirements should be imposed and enforced:

- Roofing architects, engineers and other design consultant firms and their principals should be required to disclose fully all affiliations, whether financial, direct or otherwise, with manufacturers and material suppliers, including manufacturer indemnification.

- Affidavits of non-collusion should be extended to architects, engineers, roofing design and other consultants, as well as contractors. Moreover, they should specifically preclude collusion among or between consultants, bidders or potential bidders, manufacturers and/or material suppliers.

- Written contracts should be executed with architects, engineers, roofing design, and other consultants, as well as contractors.

11. Service of Process

All entities doing business in New Jersey relative to any public project, including material suppliers, consultants and contractors, should be required by statute to complete, maintain and keep current the State Division of Revenue's, "*Public Records Filing For New Business Entity*" form that includes the designation of a registered agent and registered office within this state for the service of process, for any legal action or inquiry, civil, criminal or otherwise. Moreover, proof of such filings should be required by the public entity prior to award of any contract.

12. Prevailing Wage

The Legislature should thoroughly review this subject, including the prevailing wage rate schedules, and either provide the State Department of Labor and other regulatory offices with adequate resources to enforce aggressively the wage rates or

restructure the applicable wage schedules. The Commission found that there is considerable failure to pay prevailing wage rates, perhaps due to economic unreality of the current rates. The filing of false payroll certifications or receipt of repetitive fines for failing to pay prevailing wages should result in debarment from public projects by the State Department of Labor, State Department of Education, State Department of Community Affairs, State Building Authority and New Jersey Economic Development Authority.

* * *

This investigation was conducted by Counsel Charlotte K. Gaal; Senior Special Agent Patricia England; Special Agents Harry J. Curley, Judith A. Gore, Karen Guhl and former Special Agent Thomas H. Sloan; Investigative Accountants William Sweerus and G. Robert Armstrong; Investigative Analyst Debra A. Sowney; Intelligence Analyst Julie Batchler; and Executive Assistant Lee C. Seglem.

APPENDIX

SCOPE OF SCI'S SCHOOL ROOFING INVESTIGATION

(Shaded counties contain school districts where roofing projects were examined.)

EXHIBIT
R-215

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STATE OF NEW JERSEY
DEPARTMENT OF EDUCATION
CN 500
TRENTON, NJ 08625-0500

MARY LEE FITZGERALD COMMISSIONER

MEMORANDUM

August 27, 1993

TO: Board Secretaries/Business Administrators

FROM: Robert E. Davis, Assistant Commissioner
Division of Financial Services

SUBJECT: Advisory Letter: Roof Replacement Projects

The attached advisory letter has been received from the State Board of Professional Engineers and Land Surveyors and the State Board of Architects and is being passed along for your information. The advisory letter contains information concerning the proper use of licensed professionals for the preparation of plans and specifications for roof replacement projects by local school boards.

If you have any questions regarding the letter, please feel free to call Carl Letterie at the Bureau of Facility Planning Services (609-633-0800) or the personnel listed at the end of the advisory letter.

RED/CAL/vw:1.28
c: Ilene Scantbio
County Superintendents

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EXHIBIT
R-51
5/2/94 DP

State of New Jersey

DEPARTMENT OF LAW AND PUBLIC SAFETY
DIVISION OF CONSUMER AFFAIRS
STATE BOARD OF ARCHITECTS

BOARD OF PROFESSIONAL ENGINEERS AND LAND SURVEYORS
AND
BOARD OF ARCHITECTS

ADVISORY LETTER

Immediate Attention Requested

July 29, 1993

TO: Business Administrators
Boards of Education

REF: Roofing Replacement Projects

The State Board of Architects and State Board of Professional Engineers and Land Surveyors have been informed that several school districts are or will be advertising for bids on roofing replacement based on plans and specifications prepared by so-called "Roofing Consultants."

School Administrators are hereby notified that the preparation of such plans and specifications must be performed by registered architects or licensed professional engineers.

The preparation of construction plans and specifications for roofing replacement by anyone other than a registered architect or professional engineer may constitute the unlicensed practice of architecture or engineering and may subject the individual or firm to disciplinary action by the Board of Architects or the Board of Professional Engineers that may result in fines and penalties of $2,500 for the first offense and $5,000 for each succeeding offense (NJSA 45:1-25).

Pursuant to NJSA 45:8-41, "...no county, city, town, township, village, borough or other municipal corporation or other political subdivisions in the State shall engage in the design, construction, or maintenance of any public work involving professional engineering for which plans, specifications and estimates have not been made by...and supervised by... a licensed professional engineer or a registered architect...".

The services of a "roofing consultant" for such projects may be provided to a local school district, but these services may not include the preparation of construction plans and specifications. Such services may only be provided by a separate

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independent contract with a licensed architect or professional engineer in this State. Furthermore, the services cannot be provided by a general business corporation unless that firm complies with specific requirements reflecting ownership by licensed professionals and has been issued a "Certificate of Authorization" by either Board, pursuant to N.J.S.A. 45:3-18 or N.J.S.A. 45:8-56.

The Boards trust this clarifies any questions in this matter. If you have need of any further advice, please do not hesitate to contact Arthur Russo, Executive Director of the Board of Professional Engineers at (201) 504-6460, or Kevin B. Earle, Executive Director of the Board of Architects at (201) 504-6480.

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STATE OF NEW JERSEY

BOARD OF PROFESSIONAL ENGINEERS AND LAND SURVEYORS
AND
BOARD OF ARCHITECTS

ADVISORY LETTER

October 16, 1997

TO: Business Administrators
Boards of Education

RE: Advertising for Bids based on plans and specifications prepared by an unlicensed individual

The State Board of Architect and State Board of Professional Engineers and Land Surveyors have been informed that several school districts are or will be advertising for bids based on plans and specifications prepared by an unlicensed individual.

School administrators are hereby notified that such work must be performed by registered architects or licensed professional engineers and must be their original work product and site specific.

The preparation of construction plans and specifications by anyone other than a registered architect or professional engineer may be considered the illegal practice of architecture or engineering and may subject the individual or firm to sanctions before the Board of Architects or the Board of Professional Engineers and Land Surveyors that may include fines and penalties of $2,500 for the first offense and $5,000 for each succeeding offense (N.J.S.A. 45:1-25).

Pursuant to N.J.S.A. 45:8-41, "... no county, city, town, township, village, borough or other municipal corporation or other political subdivisions in the State shall engage in the design, construction, or maintenance of any public work involving professional engineering for which plans, specifications and estimates have not been made by...and supervised by...a licensed professional engineer or a registered architect..."

The services of an unlicensed individual for such projects may be provided to a local school district, but these services may not include the preparation of construction plans and specifications.

Such services may only be provided by a separate independent contract with a licensed architect or professional engineer in this state. Furthermore, the services cannot be provided by a general business corporation unless that firm complies with specific requirements reflecting ownership by licensed professionals and has been issued a "Certificate of Authorization" by either Board, pursuant to N.J.S.A. 45:3-18 or N.J.S.A. 45:8-56.

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The Boards trust this clarifies any questions in this matter. If you have need of any further advice on this matter, please do not hesitate to contact Arthur Russo, Executive Director of the Board of Professional Engineers and Land Surveyors at (973) 504-6460, or Dr. James S. Hsu, Executive Director of the Board of Architects at (973) 504-6385.

James S. Hsu, Executive Director
NJ State Board of Architects

Arthur Russo, Executive Director
NJ State Board of Professional Engineers
and Land Surveyors

mh
[illegible]

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COMPETITIVE ROOFING BID

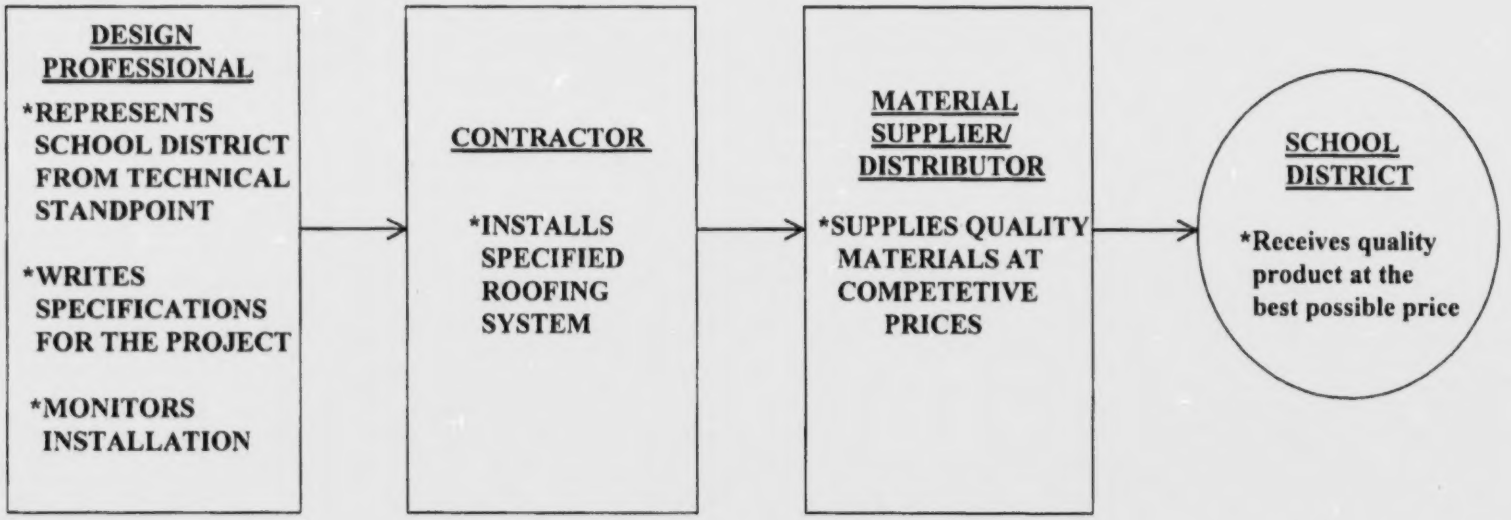

EXHIBIT
R-216

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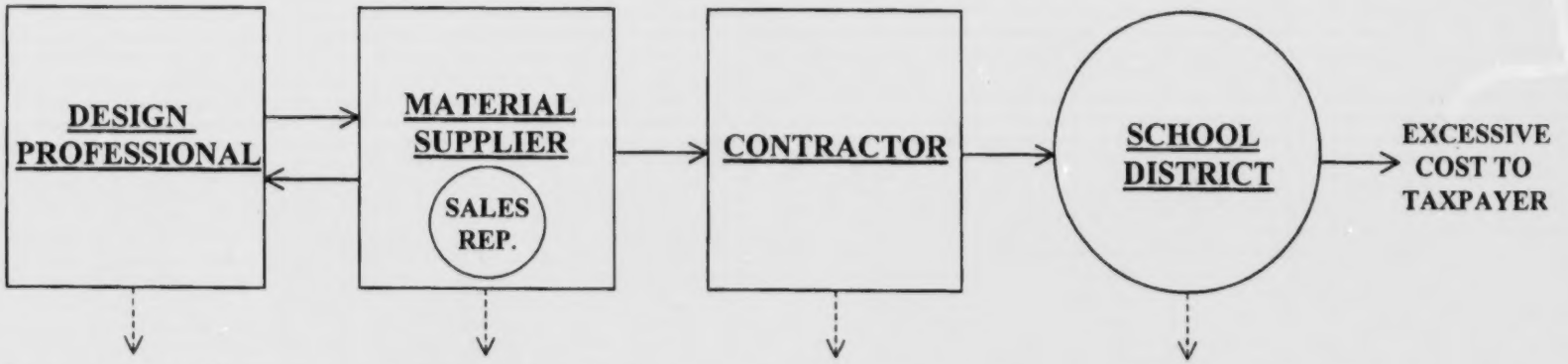
MANIPULATION OF THE BIDDING PROCESS



- Serves as "Rubber Stamp"
- Undisclosed financial relationships
- Underbids competitors
- No professional utilized
- Proprietary specifications
- Hurdles
- Safety issues
- Lack of permits, sealed plans and specifications

- Undisclosed financial relationships
- Receives additional compensation for inspections
- Provides design professional to the district
- Advises preferred contractors of bids
- Preferred pricing

- Substitutes material
- Shorts on material
- Fails to pay prevailing wage
- Failure to pay appropriate wage taxes
- Unauthorized subcontracting
- Uses contractors which are not state approved

- Unaware of compensation to consultant
- Unaware of relationships
- Unaware of substituting
- Unaware of shorting
- Fails to take action when notified about possible improprieties

EXHIBIT
R-217

SAMPLE OF HURDLES TO COMPETITION FOUND IN PROJECT SPECIFICATIONS

- **Specifying a unique, proprietary or "brand-name" product.**
- **Failure to list acceptable alternates in the specifications, thus placing the burden of designing an alternate roofing system on the roofer.**
- **Insufficient time allowance for roofer to prepare bid.**
- **Vague product description.**
- **Requiring prior use of substitution a specific number of times within a geographic radius.**
- **Precluding materials of manufacturers if change in corporate structure or stock ownership within certain time.**
- **Substitute manufacturer required to provide excessive liability coverage and/or indemnification of architect.**
- **Describing specified material by manufacturer test methods rather than by industry product standards.**
- **Inclusion of expired product ratings.**
- **Failure to utilize standard contract documents.**
- **Requiring roofer to submit complete technical data with bid, including lab analysis of substituted material.**
- **Ambiguity and lack of detail in plans and specifications.**
- **Unnecessary exclusionary requirements e.g., requiring substitute manufacturer to be nationally recognized in moisture surveys or that they manufacture 70% of materials in-house.**

EXHIBIT
R-218

OUTLINE FOR
"TIGHT SPECIFICATIONS MINIMIZE LITIGATION"

1. General Topic

   A. How tight Specifications are partly responsible for indirectly producing projects less likely to fail and be a source of litigation.

   B. How enforcement of tight specifications, from the Pre-Bid thru to Final Inspection produces projects that are far less likely to fail and be a source of litigation.

   C. How obtaining services of Roofing Design Professionals' substantially increase your chances of a successful roof replacement project.

2. Specific Points of Service:

   A. Selection of the Roofing Design Professional:

      1. Do not use a list of local or well known Architects that do new building design as a single source of obtaining Requests for Proposals.

      2. Do not think that all Architects who design new buildings with roofs on them know enough about roofing to do an effective job for a roofing replacement.

      3. Do consult with other School Administrators, including the Director of Facilities about who they have used, and what success or failure they experienced.

      4. Do rely heavily of references submitted by Design Professionals specifically covering roof replacement projects for School or other Municipal clients.

   B. Preliminary Site Inspection:

      1. Knowledgeable evaluation of existing conditions.

      2. Knowledgeable recognition of probable cause of leaking/failure conditions.

      3. Knowledge of roofing systems of the past.

         a) Knowledge of past system failures.

         b) Knowledge of past performance of systems with good track records.

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4. Knowledge of current roofing systems and their perspective shortcomings and performance track records.

C. Specification and Plan/Detail Preparation:

1. Specifications prepared with an eye toward as many roofing products supplied by the same manufacturer and/or supplier thereby providing the widest possible Warranty/Guarantee coverage.

2. Manufacturers Warranty/Guarantee providing as long a term of coverage available.

a) With maximum available coverage.

b) With most reasonable length vs. expected life for similar systems.

c) With least amount of exclusions from coverage.

3. All documentation prepared in the "roofers language" so there will be good competition and bid results.

4. Rigid "Or Equal" requirements for the submission of requests for approval as equal or superior materials and/or systems to those specified.

D. Pre-Bid functions:

1. Mandatory Pre-Bid.

a) Mandatory Pre-Bid requires all bidding contractors to visit the site and acquaint themselves with all existing conditions.

b) All Contractors get a chance to ask questions.

c) Owner gets a chance to see who is bidding the project.

2. Addendum:

1. Review all questions asked or directed to prepared of the specifications.

2. Issue all required Addenda clarifying, amplifying or changing any portion of the specifications.

E. Contract Administration:

1. Preconstruction conference:

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a) Conduct meeting before start of work in order to receive all previously discussed items pertaining to execution of the Work.

2. Issue Contracts.

3. Ascertain that all submissions required have been processed.

   a) Make certain that the required Insurance documents have been submitted and approved before start of work.

4. Inspect the work on a regular basis.

   a) Frequency depends on type of work and severity of area being worked on.

   b) Prepare and submit reports (if required by Owner) on progress of the Work.

5. Progress Billings:

   a) Review Contractors Invoices for accuracy.

   b) Forward to Owner with recommendation for payment.

6. Final Inspection and Punch List:

   a) Inspect Work for compliance with specifications.

   b) Prepare Punch List if necessary.

   c) Reinspect after completion of Punch List.

7. Final Completion:

   a) Collect all Waiver of Liens.

   b) Collect all Warranties/Guarantees.

   c) Forward all to Owner with recommendation for Final Payment to Contractor.

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SUMMARY OF PERSONAL EXPENDITURES:
THOMAS & SCOTT SALTZGUEBER 1995 - 1998

COMPANY	1995	1996	1997	1998	TOTALS
ROOF SPEC/ DESIGN INC.	$4,549	$12,333	$26,144	$6,509	$49,535
COMMERCIAL ROOFING SYSTEMS, INC.		$10,435	$12,805	$0	$23,240
KINGSTON REALTY, L.L.C.			$67,190	$5,700	$72,890
TOTALS:	**$4,549**	**$22,768**	**$106,139**	**$12,209**	**$145,665**

A-14

133

EXHIBIT
R-220

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PAYMENTS FROM W.P. HICKMAN SYSTEMS INC. TO THOMAS SALTZGUEBER - RELATED COMPANIES 1995 -1998

	1995	1996	1997	1998
PEN JER DEL CORP.	$3,500 (3%)			
COMMERCIAL ROOFING SYSTEMS		$44,986 (55%)	$63,947 (72%)	$10,500 (100%)
KINGSTON REALTY, LLC (KINGSTON CO).			$143,500 (87%)	$29,600 (56%)
ROOF SPEC INC.	$34,000 (26%)	$18,987 (17%)	$0	$12,500 (6%)
TOTALS:	$37,500	$63,973	$207,447	$52,600

EXHIBIT R-219

GRAND TOTAL: $361,520

Edison Township School District

Contractor	School	Area (sq. ft.)	Orig. Contract	Change Orders	Total Contract	Cost/sq. ft. (original Contract)	Material Cost	Material Cost/sq. ft.	Warranty/Insulation (.25 + .33)	Roof Material Cost/sq. ft.
E. R. Barrett Inc.	Lincoln		$15,500		$15,500					
E. R. Barrett Inc.	Washington, F. D. Roosevelt, & Woodbrook	83,500	$812,000	$8,200	$820,200	$9.72	300,671	$3.60	0.58	$3.02
E. R. Barrett Inc.	J. Madison Primary		$19,500		$19,500					
E. R. Barrett Inc.	J. P. Stevens H. S.	60,000	$662,700	$153,200	$815,900	$11.05	167,950	$2.80	0.58	$2.22
E. R. Barrett Inc.	John Adams MS	58,000	$570,000	$89,800	$659,800	$9.83	152,098	$2.62	0.58	$2.04
E. R. Barrett Inc.	Woodrow Wilson	65,000	$685,000		$685,000	$10.54	169,646	$2.61	0.58	$2.03
Jottan Inc.	Edison H.S.	60,000	$703,000	$14,475	$717,475	$11.72	197,748	$3.30	0.58	$2.72
Jottan Inc.	James Madison Inter.	30,000	$314,000	$1,650	$315,650	$10.47	89,145	$2.97	0.58	$2.39
Jottan Inc.	Ben Franklin	23,000	$237,000		$237,000	$10.30	75,371	$3.28	0.58	$2.70
Jottan Inc.	John Marshall	24,400	$220,000		$220,000	$9.02	59,031	$2.42	0.58	$1.84
Jottan Inc.	Lindeneau	37,000	$370,000	$1,800	$371,800	$10.00	108,126	$2.92	0.58	$2.34
Jackson Roofing	Herbert Hoover MS	65,000	$692,181		$692,181	$10.65	200,549	$3.09	0.58	$2.51
Jackson Roofing	Menlo Park	39,500	$381,191		$381,191	$9.65	136,631	$3.46	0.58	$2.88
U. S. Roofing Corp.	James Monroe	40,000	$365,000		$365,000	$9.13	143,187	$3.58	0.58	$3.00
Starbrite Construction	Thomas Jefferson MS	32,000	$387,000		$387,000	$12.09	124,202	$3.88	0.58	$3.30
Construction Cost		**617,400**	**$6,434,072**	**$269,125**	**$6,703,197**		**$1,924,355**			$2.54
RoofSpec Design	Consulting Fees		$254,000	$15,000	$269,000	4.01%				
Project Cost					**$6,972,197**					

System	Avg Cost	Cost	Savings/sq. ft.	Gross Savings
Conventional BUR	2.54	0.60	1.94	$1,197,756
Modified Bitumen	2.54	1.01	1.53	$944,622
Similar system	2.54	1.78	0.76	$470,459

EXHIBIT
R-222

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JED CONTRACTORS INC.
UNPAID EMPLOYMENT TAX LIABILITES

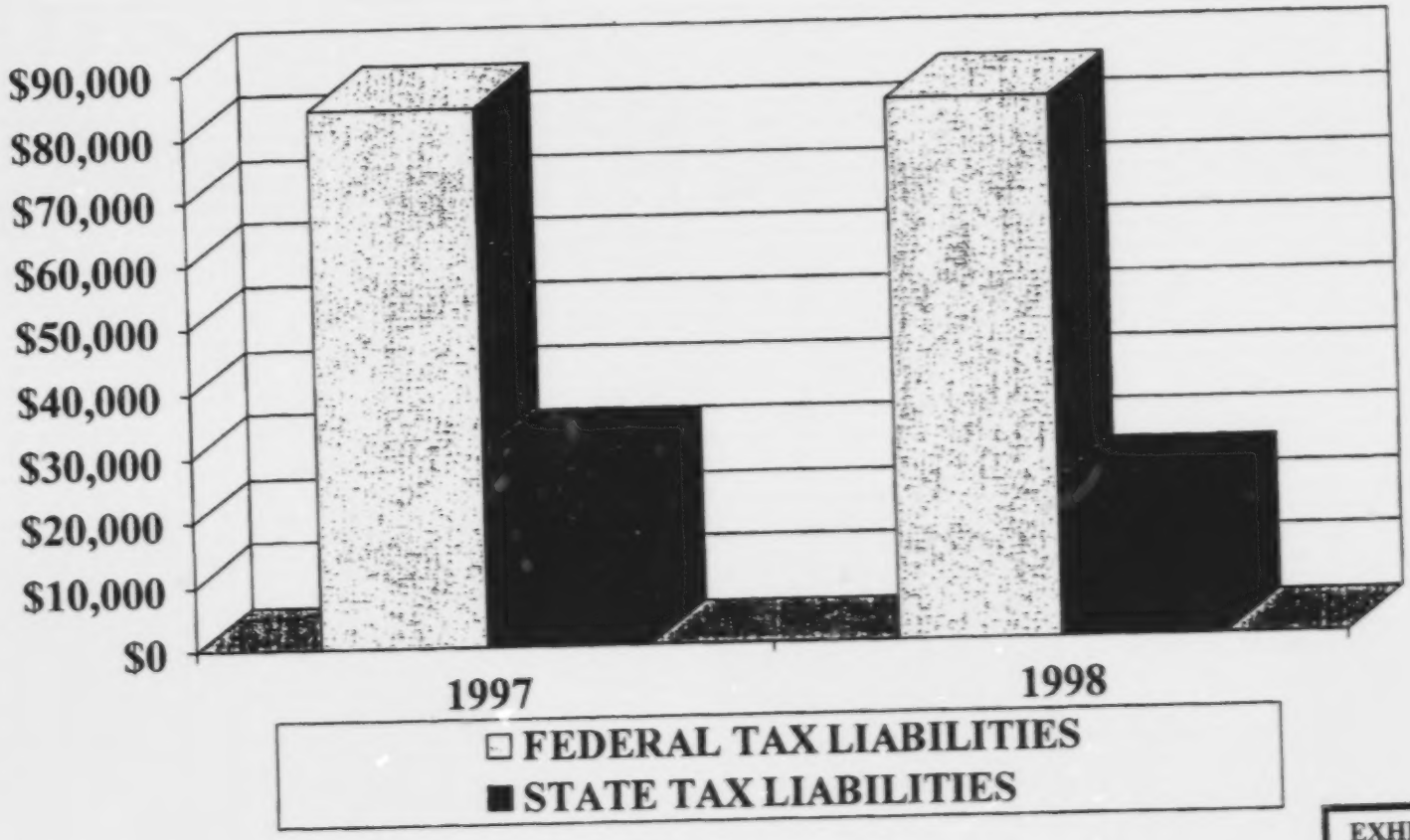

EXHIBIT
R-224

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State of New Jersey

CHRISTINE TODD WHITMAN
Governor

DEPARTMENT OF LABOR
PO BOX 389
TRENTON NJ 08625-0389

MEL GELADE
Commissioner

State of New Jersey
Commissioner of Investigation
P.O. Box 045
Trenton, NJ 08625-0045

Attn: James J. Morley, Executive Director

Re: Public Hearing on School Roofing and Replacement

Dear Mr. Morley:

I have been asked to inform you of this office's experiences with roofing contractors who perform public construction projects. Any attempt to provide an all-inclusive account of that experience would be too lengthy and detailed for your purposes (as I understand them). The following is, therefore, offered as a generalized summary.

The commercial/industrial roofing segment of the construction industry appears to be particularly inclined to violation of the labor laws within our jurisdiction. Because of the physically demanding nature of the work, ease of entry and promise of comparatively high rates of pay, roofing construction attracts the most socio-economically disadvantaged and exploited segment of the population.

Consequently, the Public Contracts Section has numerous case files (both completed and ongoing) documenting pervasive violation of the Prevailing Wage Act. But, there can be no doubt our efforts have succeeded in revealing only a small percentage of violations. It is nearly universal practice to falsify payroll records by underreporting actual hours of work and exaggerating actual rates of pay, by misclassifying workers as lower-rated "laborers" or "apprentices", by paying operative employees "salaries" that are not equal to prevailing rate of pay for the number of hours worked, by paying workers contract amount as "independent" contractors, by paying workers substandard wages "under the table" and/or by requiring "kickbacks".

EXHIBIT
R-228

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State of New Jersey

CHRISTINE TODD WHITMAN
Governor

DEPARTMENT OF LABOR
PO BOX 389
TRENTON NJ 08625-0389

MEL GELADE
Commissioner

Because of language barriers and a general unfamiliarity with state and federal labor laws, many workers are unaware of their rights. Many more are forced to accept subminimal wages and working conditions because they lack the saleable skills or immigration/naturalization status necessary to enable alternative employment.

It is not surprising, based on the character of the roofing industry workforce, that this office receives few complaints from workers and little cooperation from them during the course of an investigation . In those rare instances when workers disclose the facts of their employment, we are often able to document falsification of records and non-payment of prevailing wage rates. Unfortunately, even when violations are well documented (as evidenced by the June 22,1999 letter received from a former office worker the affidavit of Jason R. Wymbs and a "certified" payroll record "proving" Mr. Wymbs was paid properly.

Punitive procedure is unlikely due to the appalling lack of representation the Office of the Attorney General is able to provide for the preparation and presentation of cases.

Until that situation is corrected, non-complaint, exploitive contractors will continue to dominate the industry and continue to regard the minimal amounts of retro-wages and penalties they pay as just a small cost of doing business while they enjoy lifestyles (funded by N.J. Taxpayers) obscenely superior to those of their employees.

Best Regards,

Nelson Reeder, Chief
Public Contracts Section
Wage and Hour Compliance
(609) 292-2259

NR:jgg

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N.J.S.A. 52:9M-12.2, effective June 18, 1996, provides that:

> *[w]henever a proposed State Commission of Investigation report is critical of a person's conduct, a copy of the relevant portions of the proposed report thereof shall be sent to that person prior to the release of the report. Upon receipt, the person criticized shall have 15 days to submit a written response of a reasonable length which the commission shall include in the report together with any relevant evidence submitted by that person.*

The following materials are the responses submitted pursuant to that statutory requirement. In considering the responses, the reader should note that they are not in all cases under oath and, in some cases, may not even be a statement by the affected individual.

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SCHNADER HARRISON
SEGAL & LEWIS LLP
ATTORNEYS AT LAW

SUITE 3600 • 1600 MARKET STREET • PHILADELPHIA, PENNSYLVANIA 19103-7286
215-751-2000 • FAX 215-751-2205
http://www.schnader.com

Richard M. Meltzer
215 994 1088
rmeltz@mesirov.com

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2000 JUL 13 PM 12: 06
STATE COMMISSION OF
INVESTIGATION

July 10, 2000

Charlotte K. Gaal, Esquire
State of New Jersey
Commission of Investigation
28 West State Street
P.O. Box 045
Trenton, NJ 08625-0045

Re: Response to Proposed Report Notice

Dear Ms. Gaal:

This letter is written by counsel for Mitchel Abramowitz responding to the Notice of Proposed Report received on June 27, 2000.

I have forwarded a copy of excerpts you have forwarded to me regarding the Edison Township School District case study. My response on behalf of Mr. Abramowitz is limited primarily because it is difficult to respond when only certain aspects of the report are available.

Initially, we question the representations and opinions offered by unknown "independent roofing experts" and their opinions regarding the Edison plans and specifications. The Faridy studies were supplied by the Edison School Board. No one advised Abramowitz or others at Roof Spec/Design that these studies were confidential. In fact, you make no mention of the fact that these plans were either confidential or that they had stamped such notations on them. The survey drawings were not intended to be design documents. The only use was to obtain the measurements contained in the drawings. There was no copying of any design documents. Certainly, one would expect that when the School Board supplies these drawings there is a lack of any type of confidentiality attached to them. The fact that Mr. Faridy may have made the representation that no permission had been given to use the drawings does not, in fact, mean that they were priority. They were supplied by the Edison School District.

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Any assertion that the job was done improperly is disputed. Mr. Abramowitz stands by this opinion that the School Board was content with the results of the project and that further analysis was not necessary.

When we have seen the final and complete report, we will review same and determine at that time whether or not to issue a more complete statement.

Very truly yours,

Richard M. Meltzer

RMM/kj

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July 13, 2000

RECEIVED
2000 JUL 18 AM 11:08
STATE COMMISSION OF
INVESTIGATION

Ms. Charlotte K. Gaal, Counsel
State of New Jersey
Commission of Investigation
P. O. Box 045
Trenton, New Jersey 08625-0045

Ms. Gaal;

Enclosed please find my response to your Notice of Proposed Report.

I trust this information proves useful.

Sincerely,

David G. M. Clover, Ed. D.
1 Copperfield Way
Convent Station, NJ 07961

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July 13, 2000

Response to Notice of Proposed Report: Roofing Project Summaries

The innuendo, statements out of context, and missing testimony in this portrayal of events by Ms. Gaal smack of McCarthyism at its finest, guilty by association and misrepresentation of facts. This is an obvious self-serving attempt to make testimony fit the pre-determined conclusion. Vital information purposely suppressed from the report leads me to question the ethics of any person creating such a document that distorts the facts and events to such a degree. In my complete testimony, I stated the estimates were obtained from the Hickman representative because they were free. This report and the one from K. Albert Associates were used by the Board to make the decision to hire an architect.

Mr. Tiajoloff was provided the reports from K. Albert Associates and Hickman. He prepared his own report to the Board which included his estimate of the condition of the roofs and the potential costs to replace those roofs. Mr. Tiajoloff's report was used by the Board, not the K. Albert Associates report or the Hickman estimates.

Further, it was decided that, although the Board had insufficient funds to complete all the roofing projects, the Chapel Hill roof and the worn parts the Middle School roof would be bid in sections. This provided the Board with choices of which areas to replace, given the need and limited funds. This process also provided a market analysis of the cost to replace the other areas at a later date.

Mr. Tiajoloff recommended the complete replacement of the Chapel Hill roof due to its age and condition, it was over fifty years old and had numerous patches. Tearing off the old roof allowed for an inspection of the decking for damage due to the age and numerous leaks. Also, a new roof provided better insulation qualities. He suspected the roof over the central office was the next worst and the shingle roof on the Middle School multipurpose roof was failing too.

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In another distortion created by "text omitted", I also stated that although I told the Hickman representative he could contact Mr. Tiajoloff I believed they had never met because at the pre-bid meeting Mr. Tiajoloff did not know the Hickman representative.

In more testimony conveniently left out, I stated that in my first meeting with Mr. Tiajoloff, I noted my prior bad experiences with rubber roofs. Lincoln Park had two schools with rubber roofs, one section recently installed, and all were leaking. In that meeting Mr. Tiajoloff confirmed that he knew of at least three manufacturers who produced products for a built-up type roof with warranties of twenty years or more. Although this was not in my testimony, I believe in that meeting we also discussed the options of bidding lesser warranty periods and other materials as alternates to reduce costs. We concurred that with a least three manufacturers available, the bidding among the roof applicators should be very competitive.

Further, in my testimony, I stated that Mr. Tiajoloff prepared the bid package. I reviewed the front "boilerplate" section. This was the part requiring compliance with bonding, affirmative action, ownership, etc. I stated that I did not review the technical specifications because I do not have an engineering license or architectural training.

At the pre-bid meeting noted in Gaal's tainted summary, I also testified that at least two different roofing material manufacturers were represented by the numerous roofing applicators who were present. I thought this was a good sign that the Board would receive competitive bids.

After opening the bids, Mr. Tiajoloff reviewed each bid received and recommended a roof applicator. This entire bid package, specifications, contract and bid was sent to the attorney for review and contract preparation. At no time during this process did it appear the bidding was not competitive.

The erroneous and false conclusions reached by Ms. Gaal involving my actions are not supported by my complete testimony. Meeting the needs of the Board, roofing the Chapel Hill School and perhaps the Middle School multipurpose room with a minimum of funds, was my primary motivation. Second, by dividing the Middle School roof into sections, the bidding process was used to obtain market prices to help budget for future roof replacements. Ms Gaal

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makes the quantum leap to a pre-determined conclusion that because I knew the Hickman representative, that was more important than seeking value for my Board.

I also told my Board members of my preference and why, just as I told the architect. The Board did not have ample sums of money to hire a roofing consultant and an architect. I suggested Board members visit all the roofing manufacturers at the Fall conference to help them make their decision about types of roofs. I had no problem introducing venders to my Board members or other professionals, but their goods and services had to stand on the own merit under competition. Ms. Gaal's blatant attempts to hide relevant facts of my testimony and present a contorted picture of the circumstances lend credence to all the bad jokes about attorneys and their devious actions.

David G. M. Clover, Ed. D.

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GIORDANO, HALLERAN & CIESLA
A PROFESSIONAL CORPORATION
ATTORNEYS AT LAW
125 HALF MILE ROAD
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MIDDLETOWN, NEW JERSEY 07748
(732) 741-3900
FAX (732) 224-6599
441 EAST STATE STREET
TRENTON, NEW JERSEY 08625
(609) 695-2922
PLEASE REPLY TO MIDDLETOWN

JOHN E GIORDANO, JR
JOHN P HALLERAN
FRANK P CIESLA
BERNARD J BERRY, JR
THOMAS A FLEDERIN
JOHN A ARELLO
MICHAEL J GROSS
RICHARD L FRIEDMAN DO
GIORGI J TYLER
JOHN A GIUNCO
NORMAN W MORRIS DO
EDWARD F RADZELY
SHARLENE A HUNT
PHILIP D FORLENZA
MICHAEL J CANNING D
PAUL M SCHNEIDER
M SCOTT VAINEY
MICHELE A QUERQUIS

LAURA N ANDERSON
MICHAEL B MORRIS
MICHAEL A PANE, JR
CRAIG S VIRGIL
PATRICK A CONVERY
JACQUELINE DECARLO
STEVEN M DALTON
NICOLE DIVANTY

DAVID P CORRIGAN
ELIZABETH CHRISTIAN
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TIMOTHY D LYONS
J SCOTT ANDERSON
CHARLES A CERVISI

EDWARD C NORMANDIN
MICHELLE F MARY
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THOMAS D ATKINSON
LEANN E FOSTER
MONICA J CERES
CAROLINE E JACOBSEN

OF COUNSEL
E THOMAS GALLIANO

JOHN E GIORDANO
(1923-1993)

* CERTIFIED BY THE SUPREME COURT OF NEW JERSEY AS A CIVIL TRIAL ATTORNEY

* CERTIFIED BY THE SUPREME COURT OF NEW JERSEY AS A CRIMINAL TRIAL ATTORNEY

DIRECT DIAL NUMBER
732 219-5481

DIRECT E-MAIL
rfriedman@ghclaw.com

CLIENT MATTER NO
12262-0001

July 5, 2000

RECEIVED
2000 JUL 11 AM 10:19
STATE COMMISSION OF INVESTIGATION

VIA FACSIMILE - (609) 633-7366 and
LAWYERS SERVICE - 1556069
Charlotte K. Gaal, Counsel
State of New Jersey Commission of Investigation
P.O. Box 045
Trenton, New Jersey 08625-0045

Re: Richard Collins - Subpoena No. 8774 Roofing Resources Proposed Report

Dear Ms. Gaal:

On June 27, 2000, My client and I received your June 23, 2000 letter and the proposed excerpts referencing and criticizing my clients, Richard Collins and Roofing Resources. We believe that the following minor changes will correct the report to accurately describe my clients' business relations:

1. On the seventh line of the first excerpt, the words "undisclosed ties to" should be replaced by "business relations with" because no law or regulation required disclosure by my clients of their business relations. Furthermore, the utilization of the words "undisclosed ties to" gives the implication that my clients hid their relations.

2. In the last paragraph on page two, please change the words "similar arrangement" on the first line with "business relationship". Otherwise, the reader may make an inference that my clients have engaged in criminal conduct or have acted in the same manner as Roof Spec/Design. Since we do not have the benefit of reading the description of the relation between Hickman and Roof Spec/Design, it is impossible for us to comment on whether a similar arrangement exists. In addition, the previous paragraph utilizes the words "in concert" which are words that are normally associated with conspiracy language. The words "in concert" should be deleted.

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If you have any reservations about making these very limited changes, I would like to discuss these requests with you.

Respectfully submitted

RICHARD L. FRIEDMAN, ESQ.

RLF:mea

cc: Mr. Richard Collins (Via Facsimile – (610) 558-0571)

::ODMA\PCDOCS\GHCDOCS 159858.1

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BOWERS, MURPHY, LIEBERMAN & LAMBO
Counsellors at Law

STEVEN B. LIEBERMAN
CERTIFIED CRIMINAL TRIAL ATTORNEY

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JOSEPH C MURPHY
OF COUNSEL

JAMES I BOWERS
OHIO BAR

RECEIVED
2000 JUL 12 PM 2:36
STATE COMMISSION OF INVESTIGATION

July 11, 2000

Charlotte K. Gaal, Esquire
Commission of Investigation
State of New Jersey
PO Box 045
Trenton, NJ 08626

Re: Joseph Conzola - SCI Report

Dear Ms. Gaal:

I have reviewed the portion of the proposed State Commission of Investigation report which was provided to me pursuant to the statute. As noted in your letter of June 23, 2000, Joseph Conzola is entitled to submit a "written response of a reasonable length which the Commission shall include in the report."

The response of Mr. Conzola is enclosed.

Thank you.

Very truly yours,

Steven B. Lieberman

cc: Joseph Conzola

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WRITTEN RESPONSE OF JOSEPH CONZOLA

Joseph Conzola, on his behalf, and on behalf of Jackson Roofing Co., Inc., issues a firm denial of any intent to violate any of the criminal laws of New Jersey or the United States of America. Any reported allegations concerning alleged violations of tax laws are attributable to a good faith interpretation of existing laws and regulations. These laws are often confusing, contradictory and open to various reasonable interpretations. Joseph Conzola has never authorized anyone on his behalf to purposely violate such laws.

The inference by the Commission that Jackson Roofing has been the continual target of years of investigation by the State Department of Labor is misleading and incorrect. In 1994 Jackson Roofing settled a minor claim brought by the Department. The allegations involved a good faith misunderstanding about work being performed by Jackson Roofing. The penalty imposed by the Department was minimal and reflected an acceptance of Jackson Roofing's claim of a non-intentional violation of law. However, a technical violation did occur and Jackson Roofing settled the matter and paid the penalty without an acknowledgement of any wrongful conduct.

Thereafter, no other actions or claims were served on Jackson Roofing by the Department of Labor until December 1998, a space of over four years. During this time Jackson Roofing was a

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successful low bidder on a number of public jobs. It fulfilled all of its contractual obligations.

Since 1999 Jackson Roofing has resolved a number of allegations brought by the Department of Labor. The first of these was resolved in March 1999. What is significant is that any and all subsequent allegations brought by the Department of Labor involve contracts that took place prior to this date. This is because commencing in 1999 Jackson Roofing has worked with a representative of the Department of Labor to ensure that all of its record keeping and employee payments are in strict compliance with all legal requirements. The report of the Commission reveals no instances since the end of 1998 where Jackson Roofing is accused of any improper conduct.

Therefore, while the report of the Commission as it pertains to Jackson Roofing may be of some historical significance, it does not accurately reflect the business practices of the company for nearly two years. Jackson Roofing has striven to insure that it is in compliance with applicable rules and regulations and that it will remain in compliance in future years. To this end, Jackson Roofing has resolved all pending complaints brought by the Department of Labor. It is significant that each matter was resolved without either an admission or a finding of liability on the part of Jackson Roofing.

It is submitted that the readiness of Jackson Roofing to make the necessary changes suggested by the Department of Labor is an important factor to be considered and to be noted by the

Commission. This validates the statement that Jackson Roofing did not intentionally seek to evade its obligations under the law. If the Commission focused on the current methodology employed by Jackson Roofing, it will find a company striving to remain in compliance with the myriad of laws and regulations governing the performance of companies that bid on public jobs. Jackson Roofing has never defaulted on a public contract, nor has it failed to live up to its obligations to complete the work.

The report also criticizes the hiring by Jackson Roofing of ARMCO, a subcontractor. This criticism is unfair. ARMCO was hired as a subcontractor with the full knowledge of the architect who was in charge of supervising the Ridgedale School project. ARMCO was listed as the subcontractor on all reports filed and on the certified payrolls provided by Jackson Roofing. The role of the supervising architect was to advise Jackson Roofing if there was any impropriety in this hiring. As no such information was ever provided, Jackson Roofing cannot be held responsible. The conclusory statement that this hiring was done without the knowledge or authorization of district officials is plainly wrong. The hiring was made known to the architect selected by the district. Jackson Roofing fulfilled its obligation under the law and any statement implying improper conduct in this regard should be deleted from the report.

The report makes reference to a secondary entity, JED Contractors, Inc. Jackson Roofing believed that it was a legitimate interpretation of existing tax law to allow it to hire

independent contractors. However, while acknowledging that reasonable individuals can differ on this point, and to avoid any potential future issues, JED Contractors was dissolved two years ago. Therefore, the allegations set forth in this portion of the report pertain to matters that were resolved two years ago. Again, the report does not accurately set forth the current practices and procedures of Jackson Roofing.

The report also criticizes Jackson Roofing for hiring employees with false social security numbers. This is not a fair criticism. It is extremely difficult, if not impossible, to verify the accuracy of social security numbers provided by employees. From a financial standpoint it makes no difference to Jackson Roofing if the social security number is correct or incorrect. In either instance Jackson Roofing is required to withhold the same amount of tax and forward it to the federal government. Therefore, to suggest that Jackson Roofing intentionally hired employees with false social security numbers is wrong, as Jackson Roofing would not reap any financial benefit from such actions.

The Commission and the public should recognize and understand that Jackson Roofing is committed to operating within the boundaries of the law. To this end, Jackson Roofing has worked with the Department of Labor in settling and resolving all outstanding complaints. Jackson Roofing has changed its procedures to implement suggestions put forth by the Department of Labor. As such, since the first allegation was made in

December 1998, no new allegations of improper conduct occurring after this date have surfaced. This includes allegations by the Department of Labor and by this Commission. The failure to find any present ongoing problems is a testament to the desire of Jackson Roofing to work within the framework of the complex and often confusing maze of rules and regulations concerning public work. If the report of this Commission will help to simplify and streamline these procedures, Jackson Roofing welcomes such a change.

MATERIAL TO BE DELETED FROM THE REPORT

The purpose of the report of the State Commission of Investigation is to provide the New Jersey Governor and the New Jersey Legislature with the results of its investigation into matters of public concern, with a focus on issues concerning the conduct of public officials. It is not a vehicle to unfairly cast aspersions on the character of an individual when it serves no legitimate public purpose. In this case the Commission makes reference to a 1991 conviction of Joseph Conzola. This conviction is for conduct that occurred more than 11 years ago. It had nothing to do with the matters under investigation by the Commission. Mr. Conzola has had no further interaction with any aspect of the criminal justice system since that one isolated event. He has led a law-abiding life and is a respected member of the community. Over the years he has donated to many organizations and received numerous letters of thanks; i.e., American Cancer Society, Hale House, Make-A-Wish Foundation, American Heart Association, March of Dimes, US Olympic Committee, National Children's Cancer Society, National Foundation for Cancer Research, Memorial Sloan-Kettering, and Kosovo Relief Fund.

The only conceivable purpose the Commission has to include a reference to this one conviction is to inflame passions against Mr. Conzola. It has no other legitimate interest. Mr. Conzola has never hidden this conviction and has always been completely

honest and forthright when completing all necessary governmental forms. As the conviction is remote in time, concerns a completely unrelated incident, and is irrelevant to the issues discussed in the report, all references must be deleted.

A failure to do so will substantiate the belief that the Commission is more concerned with the public relations appeal of its report than issues of a substantive nature. If the Commission refuses to excise the two sentences referencing this conviction, then this statement should be attached to the report so the public will be able to put this conviction into proper context.

SCHECHNER AND TARGAN
A PROFESSIONAL CORPORATION
COUNSELLORS AT LAW

DAVID SCHECHNER
RONALD G. TARGAN, OF COUNSEL
EDWARD WEISSLITZ
AMY B. TARGAN, OF COUNSEL
BENJAMIN I. KREITZBERG, OF COUNSEL

RECEIVED
2000 SEP -7 AM 10: 17
STATE COMMISSION OF INVESTIGATION

80 MAIN STREET, WEST ORANGE, N.J. 07052

TELEPHONE (973) 325-2411
FAX NO. (973) 325-8131

September 6, 2000

James J. Morley, Exec. Director
State of New Jersey
Commission of Investigation
28 West State Street
P.O. Box 045
Trenton, NJ 08625

Re: Joseph Conzola and Jackson Roofing Co.
Revised Response

Dear Mr. Morley:

I have succeeded to Steven B. Lieberman, Esq., to the representation of Joseph Conzola and Jackson Roofing Co. (hereinafter *Jackson*) in connection with the pending items regarding my clients before the SCI. In response to your August 23, 2000 letter to Mr. Lieberman, the following will constitute a revised and amended response of Mr. Conzola to the additional language that appears in bold print in the company of your August 23, 2000 letter. The gist of the revised language in bold print was that *Subsequent to the hearing, the Commission learned that three additional investigations were opened by NJDOL into roofing projects performed by Jackson at three school district sites during the Summer of 1999.* It is the position of my clients that the following explanatory comment must be added to this sentence in the report:

> The aforesaid three additional investigations opened by NJDOL during the Summer of 1999 were subsequently settled between Jackson and NJDOL by a settlement reached in June, 2000. (Attached hereto is a copy of a June 9, 2000 letter sent to Ralph Ridolfino of the NJDOL memorializing the said settlement). Furthermore, pursuant to the said settlement of the three matters between Jackson and NJDOL, NJDOL has issued to Jackson a registration to perform public work jobs, which registration is presently extant. Also, Jackson has settled claims of laborers

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arising out of the projects performed at the said three school district sites, which settlements were achieved by Jackson with the said laborers, as represented by counsel, in June of 2000. (Attached hereto is a copy of a June 14, 2000 correspondence between the attorney for Jackson and the attorney for the said laborers memorializing the settlement). As a result of the aforesaid information, the stated three additional investigations opened by NJDOL into roofing projects performed by Jackson during the Summer of 1999 have now been resolved.

I would request that confirmation be received by me that the enclosed comments will be incorporated into the revised report as issued by the SCI.

Very truly yours,

SCHECHNER AND TARGAN

Edward Weisslitz

EW/bgs
Encls.

cc: Mr. Joseph Gonella

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Jun-09-00 07:44A

BOWERS, MURPHY, LIEBERMAN & LAMBO
Counsellors at Law

STEVEN B. LIEBERMAN
CERTIFIED CIVIL TRIAL ATTORNEY

JAYNE M. LAMBO

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FAX (908) 231-8810

JOSEPH C. MURPHY
OF COUNSEL

JAMES I. BOWERS
(1919-1982)

June 9, 2000

Ralph Ridolfino
Department of Labor
Wage and Hour Compliance
P.O. Box 389
Trenton, NJ 08625

Re: Jackson Roofing cases

Dear Mr. Ridolfino:

This letter will confirm the conversations you had with Joseph Gonnella of Jackson Roofing Company. We had agreed to settle the pending cases before the Department of Labor, Wage and Hour Compliance, for the sum of $102,910.60. This coming week my client will provide me with a check in this amount which I will deposit into my attorney trust account. I will then disburse the money due to each employee as agreed in our settlement. I will also transmit a check to your attention in payment of the penalties imposed by the Department.

It is my understanding that once the money is deposited into my attorney trust account, you will advise the Department that this case has been settled. Jackson Roofing will then be issued a registration to perform public work jobs.

Thank you for your courtesy.

Very truly yours,

Steven B. Lieberman

cc: Joseph Gonnella

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RICHARD A. VRHOVC
ATTORNEY AT LAW

67 WALL STREET - SUITE 2411
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TEL: (212) 323-7948

MEMBER OF NY AND NJ BARS

328 CLIFTON AVENUE
CLIFTON, NJ 07011

TEL: (973) 779-2001
FAX: (973) 779-4828

BY FAX ONLY

June 13, 2000

Steven Lieberman, Esq.
Bowers, Murphy, et al.
55 N. Gaston Ave.
Somerville, NJ 08876

RE: Jackson Roofing

Dear Mr. Lieberman:

When we last spoke I advised you that all of my eight (8) clients had accepted the offer of $90,000.00 and that I would withdraw my personal suit provided your client pay the $90,000.00 to my office within two (2) weeks. The other retirement money can be provided by the Trustee at some other point in checks made directly to my clients as you requested.

Please advise in writing whether the above is acceptable and, if so, I will forward to your office General Releases signed by my clients as well as a Stipulation of Dismissal.

Very truly yours,

Richard A. Vrhovc

RAV/mt

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Tremco Incorporated
8 Main Street, Flemington, NJ 08822 • Divisional Office: 800-628-7501 • Home Office/FAX: 908-782-2134 TREMCO

Voicemail: 800-841-8678

RECEIVED
2000 JUL 11 AM 11:05
STATE COMMISSION OF INVESTIGATION

July 7, 2000

Charlotte K. Gaal. Esquire
State of New Jersey
Commission of Investigation
Post Office Box 045
Trenton, NJ 08625

Re: Jack Cremin/Notice of Proposed Report

Dear Ms. Gaal:

This letter will serve as the written response to the letter sent to me, pursuant to Section 8 of P.L. 1996, c. 44.

With regard to that portion of the text entitled "ROOFING PROJECT SUMMARIES", School District of the Chatams, your report should include the following:

At the Commission's public hearing on December 15, 1999, Mr. Yaniro testified:

> "The Board attorney did a lengthy investigation in terms of, you know, whether or not our specifications would be considered appropriate. And he determined that the specifications were appropriate since – basically, for two reasons. He really didn't believe that they were proprietary He believed that there were other cold applied applications throughout the country that could bid.
>
> And, secondly, the nature of the resolution was that the key components of the Tremco products were patented which, in the law, allows you to specify proprietary materials."

Prior to the Board's attorney, Mr. Rand, reaching this conclusion, I sent the attached letter dated May 16, 1999 describing the Tremco patented insulation adhesive and enclosing patent information concerning that adhesive. Mr. Rand's advice to the School Board with regard to the patented adhesive was pursuant to those provisions of New Jersey law permitting the requirement of a "proprietary good [which] is directly related to the performance, completion or undertaking of the purpose for which the contract is awarded." N.J.S. 18 A: 18A-15d.

With regard to the section titled Green Township School District, the report should include the following:

I provided Albanese with product specifications to be included in Albanese's technical specifications for the, proposed re-roofing of the Green Hills School. At the public hearing of the Commission on December 15, 1999, Ms. Cuykendall testified that it was not the Tremco product specifications which caused her concern about other contractors substituting materials, but rather, Mr. Albanese's requirements which caused those concerns. Specifically, Mr. Albanese, the Township Engineer, required a prior monetary payment to the Township to review any proposed alternative or substituted materials. Thus, any hurdle to its potential bidder was imposed by the Township Engineer and not by its product specifications from Tremco.

Sincerely,

Jack Cremin
Area Manager

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Tremco Incorporated
8 Main Street, Flemington, NJ 08822

TREMCO

Jack Cremin
North Atlantic Area
Manager

Divisional Office: 800-628-7501
Home Office/FAX: 908-782-2134
Voicemail: 800-841-8678

May 16, 1999

Rand, Algeir, Tosi & Woodruff
60 Washington Street
Morristown, NJ 07960

Re: School District of the Chatham's

Dear Mr. Rand:

As per our conversation, we have enclosed for your review a copy of the patent information pertaining to Tremco's Fas-n-Free insulation adhesive as specified for the above referenced roof replacement project.

The system, as specified, is a Burmastic 200 Cold Applied Built-up Roof Assembly requiring the insulation to be adhered with a solvent free insulation adhesive. The Fas-n-Free insulation adhesive is a cold applied moisture curing, solvent free asphaltic urethane adhesive that was formulated to insure high elastomeric and adhesive characteristics necessary to replace mechanical fasteners and hot asphalt in the attachment of roof insulation to base sheets, structural decks and approved insulations

Tremco Incorporated is the only manufacturer of a cold applied built-up-roof assembly who manufacturers a solvent free insulation adhesive, meeting all the regulatory requirements associated with the building industry (FM, UL, and BOCA)

If you have any questions, please give me a call at 908-782-2134.

Very truly yours,

Jack Cremin
Tremco Incorporated

Enclosure - 1

Cc: David Pease

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BOONTON TOWNSHIP BOARD OF EDUCATION

11 VALLEY ROAD
BOONTON TOWNSHIP, NJ 07005

Marilyn Cuykendall
Business Administrator/Board Secretary

(973) 334-4162 EXT 325
FAX (973) 334-0035

RECEIVED
2000 JUN 30 AM 9:14
STATE COMMISSION OF INVESTIGATION

June 30, 2000

Ms. Charlotte Gaal
State of New Jersey
Commission of Investigation
PO Box 045
Trenton NJ 08625-0045

Dear Ms. Gaal,

To ensure school districts receive high quality roofing materials I believe we should retain 10% of the project's costs in escrow to guarantee product and workmanship for at least five years. I would also request that the state require roofing companies to repair/replace substandard products and faulty workmanship or escrow funds would be utilized.

If roofing companies knew they had to fix roofing problems at their expense they would be less likely to install "construction paper" materials.

Cordially,

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CZAR Engineering

RECEIVED
2000 JUL -6 AM 9:29
STATE COMMISSION OF INVESTIGATION

Lamont H. Czar, P.E.
5014 Fernwood Avenue
Egg Harbor Township, New Jersey 08234

Phone: (609) 653-9445
Fax:(609)653-2015
E-mail: LCZAR@WORLDNET.ATT.NET

LETTER OF TRANSMITTAL

July 5, 2000

TO: Charlotte K. Gaal - Counsel
28 West State Street - 10th Floor
Trenton, NJ 08625

RE: NJ State Commission of Investigation
Maple Shade Board of Education

WE ARE SENDING YOU: Via Federal Express
Overnight Delivery

DESCRIPTION: Response to Draft New Jersey State Commission of Investigation Report Regarding Maple Shade Board of Education
Received 6/23/00

THESE ARE TRANSMITTED: Per Section 8 of P.L. 1996, c. 44

COMMENTS:

If enclosures are not as noted, kindly notify us at once.

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CZAR Engineering

Lamont H. Czar, P.E.
5014 Fernwood Avenue
Egg Harbor Township, New Jersey 08234

Phone: (609) 653-9445
Fax:(609)653-2015
E-mail: LCZAR@WORLDNET.ATT.NET

July 5, 2000

Following is our response to the summaries detailing the New Jersey State Commission 's findings of waste and abuse relative to select roofing projects in other school districts throughout New Jersey.

Maple Shade Township School District

Commission: Maier proceeded to recruit a consulting engineer, Lamont H. Czar, principal of Czar Engineering of Egg Harbor Township.

Response: Lamont H. Czar, P.E., registered with the State of New Jersey as a licensed professional engineer.

Commission: He then provided Czar with a boiler-plate set of Tremco technical specifications, which formed the basis for the project specifications calling for Tremco materials to the exclusion of all others.

Response: Tremco provided this office with a sample technical specification for Built-up Bituminous Roofing. We developed our own technical specification which, in keeping with our signed agreement with Tremco that "for public bidding purposes, construction documents must specify the best products for the application but will include 'or equal' clauses and performance criteria", clearly stated that the built-up roofing material would be provided by Tremco *or an approved equal.*

Our specifications further stated, both in the bidding and contract requirements and the built-up roofing technical section, that "whenever a material, article or item of equipment is identified on the Drawings or in the Specifications by reference to Manufacturer's name, trade name, catalog number, etc., it is intended to establish a standard, and any material, article, or item of equipment of other Manufacturers which will perform equally the duties imposed by the general design will be considered equally acceptable provided the material, article, or equipment so proposed is, in the opinion of the Engineer, of equal substance and function. It shall not be purchased or installed by the Contractor without the Engineer's written approval. Otherwise, the successful Bidder will provide all materials, equipment and work as per the Drawings and Specifications."

In no way did our specifications exclude other materials and were composed in full agreement with public contract law.

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Commission: Technical hurdles inserted throughout the document ensured that no substitutions of alternate equivalent materials would be possible.

Response: Our specification contained no such hurdles nor did the Commission reference any language or clauses from the contract documents that constitute such "technical hurdles." The substitution requirements were clearly spelled out in the built-up roofing technical specification, the general conditions of the contract and throughout the body of the specification. Ample time was allotted for submission of alternate materials, review of same and issuance of acceptance to all the prospective bidders. In fact, the bidders (as evidenced by the prior response) were openly invited and encouraged to submit substitutions. Many other manufacturers were and still are capable of providing any and all comparable materials that, had they been submitted, would have been accepted.

Commission: Under the terms of his contract, Czar was to be paid a fee of $5,000 by Tremco for preparing the requisite sealed plans.

Response: Under the terms of our contract with Tremco, "our engineering services would include a thorough visual inspection and survey of the roof to identify and document existing roofing, flashing and penetration conditions. Review of test cut and infrared scan information supplied by the Client, and all existing plans, specifications and reports by others to serve as a data base. We would then design the roofing system, prepare construction plans and the Bidding and Contractor Requirements . . . . for this work, we would require a lump sum fee (from Tremco) of $5000."

Commission: In an unusual twist, Czar never received any payment directly from Tremco. Instead, he received the fee in three installments from J. Wilhelm Roofing Co., of Vineland, which had secured the installation contract.

Response: It is not unusual (unfortunate but not unusual) to not receive payment from a client. After repeated attempts to secure payment from Tremco, directed both at Mr. Maier and Tremco Corporate headquarters, we received an unsolicited payment from J. Wilhelm Roofing. Third party payment is, again, not unusual nor illegal when working for a private entity. Wilhelm Roofing purchased materials from Tremco, the price of which we assumed included an overhead expense for engineering. Instead of paying the full amount to Tremco, we again assumed Wilhelm expedited our payment by sending us a check directly. This was fully documented with our correspondence to Mr. Maier notifying him that we had received payment from Wilhelm but that we "assumed this was done to save administration time and expense."

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McDONALD, ROGERS & RIZZOLO
COUNSELLORS AT LAW
181 WEST HIGH STREET
SOMERVILLE, NEW JERSEY 08876

MICHAEL J. ROGERS
JOHN P. McDONALD
STANLEY F. RIZZOLO

(908) 722-4100
TELECOPIER (908) 722-7532
EMAIL: WWW.MRRLAWFIRM.COM

July 12, 2000

RECEIVED
2000 JUL 12 PM 2:37
STATE COMMISSION OF INVESTIGATION

VIA HAND DELIVERY

Charlotte K. Gaal, Esq.
State of New Jersey
Commission of Investigation
28 West State Street
10th Floor
Trenton, NJ 08625

Re: Jackson Roofing Co., Inc. and Joseph D. Gonnella
Notice of Proposed Report

Dear Ms. Gaal:

Pursuant to your letter dated June 23, 2000, enclosed please find original Written Response of Joseph D. Gonnella and Request for Materials to be Deleted From the Report.

Should you have any questions or require additional information, please feel free to contact me.

Very truly yours,

Michael J. Rogers

MJR:bel
Enclosure
99-5429

cc Steven B. Lieberman, Esq. (w/enc)
Mr. Joseph D. Gonnella (w/enc)

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WRITTEN RESPONSE OF JOSEPH D. GONNELLA AND REQUEST FOR MATERIALS TO BE DELETED FROM THE REPORT

Joseph D. Gonnella firmly denies any violation or intent to violate any of the criminal laws of the State of New Jersey of the United States of America. Insofar as relevant, Joseph D. Gonnella incorporates the written response of Joseph Conzola and Jackson Roofing Co., Inc.

In its report, the State Commission of Investigation states that Joseph D. Gonnella, Jackson's General Manager, invoked his Constitutional privilege against self-incrimination when questioned about the firm's labor practices. Later in the report, it is stated that officials of Jackson Roofing refused to respond to questions citing the Constitutional privilege against self-incrimination.

The report fails to note that Joseph D. Gonnella testified on October 28, 1999, and answered hundreds of questions concerning the roofing industry and practices in the public sector. The invocation of the privilege against self-incrimination at the SCI public hearing was narrow and limited to very specific areas concerning allegations of wage and hour violations. It is the Constitutional right of Mr. Gonnella to invoke the privilege. The SCI conveniently limited its questioning solely to areas where it knew the privilege would be invoked. The Commission neglected to include in its report or inform the public of the hours of testimony given by Mr. Gonnella on the practices in the roofing industry and how such practices impact the public sector.

Accordingly, any reference to Mr. Gonnella's invocation of his Fifth Amendment privilege against self-incrimination should be deleted from the report. It is common knowledge in the legal community, and perhaps even beyond the legal community, that

no adverse inference may be drawn from someone's assertion of the Fifth Amendment privilege against self-incrimination. In a criminal case, it may not even be mentioned by a prosecutor or a Judge. The inclusion of these statements in the report are meant to case aspersions on the character, integrity, and credibility of Mr. Gonnella, when the Commission well knows that this is completely improper.

Tremco Incorporated
8 Main Street, Flemington, NJ 08822

RECEIVED
2000 JUL 12 AM 10:59
STATE COMMISSION OF
INVESTIGATION

William T. Maier
Architectural Representative

Regional Office: 800-628-7501
Voicemail: 800-851-4090
Home Office: 609-953-1457

July 7, 2000

Charlotte K. Gaal, Esquire
State of New Jersey
Commission of Investigation
Post Office Box 045
Trenton, NJ 08625

Re: William T. Maier/Notice of Proposed Report

Dear Ms. Gaal:

This letter will serve as the written response to the letter sent to me pursuant to Section 8 of P.L. 1996, c. 44.

With regard to that portion of the text entitled "ROOFING PROJECT SUMMARIES", Maple Shade Township School District, your report should include the following:

The specifications for the Maple Shade School District were prepared by and signed by Lamont H. Czar. No technical hurdles were inserted in those specifications to prevent a bidder from substituting alternate equivalent materials. It is the decision of the School Board and the School Board's engineer what shall be included in its specifications. At the Commission's public hearing on December 15, 1999, Mr. Marinoff testified as follows.

"

> I don't know the total outcome of what your recommendation are going to be, but if there are things that are inadequate, like kickbacks, or things going on between contractors and engineers that we have no knowledge of, you know, those are things I hope that you will uncover, because I don't want to see them driving up the cost of roofing projects. But from where I stand, I really don't have any knowledge of anything like that occurring.
>
> I do, though, want to see the process enable us to be able to get the best quality roofing projects. And, as other people have testified, with the particular systems that we've used, specifically Tremco, we have had very good experience and track record, not only with the product, but with the service.

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I know it was originally stated in one of the opening comments about districts being hooked into service and consultants and, by no means, in Maple Shade, were we ever hooked into a consultant coming to us. In fact, we reached out to the Tremco people because it was recommended to us by a former boss of mine, that if you want to have a quality roofing system, these are the people that can do that for you, and that they should be consulted.

So, we reached out to them, especially in Maple Shade, where we had a history of roofing failures before that time, where a new high school was built and, almost immediately, the roof failed and had to be completely replaced. So, a very important issue in Maple Shade, and our Board of Education didn't want to mess around with, you know, inferior products and inferior service. And they certainly were willing to -- you know, if you use the phrase, you pay a little bit more, not to be extorted, but, you know, pay something for a good quality product is certainly worth it. In my 15 years of being in Maple Shade, you know, our roofing problems have been very minimal as a result of the process that we've been following."

Ms. Gaal: Well, if you could save, save 25 or 30 percent, would you consider that worth considering or -

Mr. Marinoff: Yes, I would, especially when you're talking about millions of dollars in roofing projects, certainly, if we could provide ourselves with the same quality. But that's the issue, making sure that we can provide ourselves with the same quality product and service.

Sincerely,

William T. Maier

William T. Maier
Tremco Representative

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RAND, ALGEIER, TOSTI & WOODRUFF
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July 11, 2000
VIA FACSIMILE
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RECEIVED
2000 JUL 13 PM 12:04
STATE COMMISSION OF INVESTIGATION

Charlotte K. Gaal, Esq.
State of New Jersey
Commission of Investigation
28 West State Street
P.O. Box 045
Trenton, New Jersey 08625-0045

Re: **School District of the Chathams**

Dear Ms. Gaal:

Please consider this correspondence my response to the "proposed report" or portions thereof, which name me personally, which is now in draft form and is intended to be issued by the New Jersey Commission Investigation ("Commission").

Initially, I wish to note that throughout the period in question, I have served as counsel for the School District of the Chathams. I am familiar with the 1999 roofing project in the sum of $262,000 which was designed to replace a major portion of the roof at the Chatham Middle School.

I am also familiar with the procurement practices of the District in regard to construction projects as well as the procurement of other goods and services which are covered by the Local School Contract Act.

I have also been privy to those portions of the draft report which refer to Mr. Vincent Yaniro, School Business Official for Chatham, and which makes reference to two (2) roofing projects conducted by the School District; one in 1998 and another in 1999.

1998 Project

In 1998, the School District of the Chathams ("Chatham") sought to replace a relatively small portion of the roof at Chatham High

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School which had failed. While not part of the draft report, it is clear that the school had had a very negative experience in prior years with "single-ply" roofing systems. Mr. Yaniro and Mr. Alfred Goss (District Director of Facilities) were concerned about securing a cost effective and reliable roofing system. Following a number of inquiries and attendance at a number of seminars and meetings, Mr. Goss reported to Mr. Yaniro that there existed a form of roofing method in the industry which utilized a "cold-applied" conventional roofing method involving the construction of roof-plys imbedded in cold-applied adhesive. A number of school districts had utilized the system with positive reports. Mr. Goss believed that this system could benefit Chatham and in consultation with Mr. Yaniro, it was determined to contact the manufacturer of the roofing system for the purpose of soliciting information.

It should be noted that throughout all relevant periods in time, Tremco manufactured a cold-applied system and also possessed a patent for the cold-applied insulation adhesive utilized within the system (Patent #5,008,311 secured April 16, 1991). The adhesive material used in the system is a material component to the overall system.

Mr. Yaniro, upon contacting Tremco with authorization and approval of his Board of Education, retained the services of Tremco to "survey" various roofs maintained by the School District. An inspection was conducted, and a payment was made to Tremco in the amount of $5,000.

Thereafter, operating directly and without the services of an architect or engineer, a specification was prepared by Tremco for the replacement of a small portion of the high school roof.

Mr. Yaniro is criticized, by implication, in the draft report for the failure to utilize a licensed architect or engineer in connection with the preparation of these specifications. A review of the provisions of the New Jersey Local Public Contracts and Bid Law, N.J.S.A. 18A:18A-1, et seq., will reveal no specific requirement mandating the use of an architect or engineer in any particular project. Indeed, the source of such a "principle" apparently lies in the general provisions of N.J.S.A. 45:8-41, which talks to the generic requirement that all political subdivisions of the state

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"...shall engage in the design, construction or maintenance of any public work involving professional engineering..." except when such public work has been designed or supervised by a licensed professional engineer or registered architect.

Mr. Yaniro had a good faith belief at the time of the 1998 project that the form of the work being relatively small in scope would not require the services of a licensed architect or professional engineer. He, in good faith, believed that the School District facilities personnel themselves could develop a specification "in-house" to call for a cold-applied conventional system which would be adequate and meet the law.

While it may be debatable whether any particular work falls within the scope of the foregoing statute (requiring the use of licensed architects or engineers), the School District of the Chathams now recognizes and is much more sensitive to the need for such professional advice in connection with roofing projects of the type noted in the report.

Nevertheless, Tremco did provide a component of the specifications relating to the technical aspects of the work. All other aspects of the specifications were prepared by Mr. Yaniro in consultation with Mr. Goss based upon their expertise as certified school officials and professionals.

In fact, there were approximately six (6) bidders who responded to the specifications. The low bidder was Laumar Roofing Company, which submitted a bid for $94,000. There were no objections made by any third party to the process at that time. The project was constructed within the time period of the specifications and for the cost of the bid. The work was performed satisfactorily. The roof is presently successfully in place and is fully guaranteed by Tremco.

1999 Project

In 1999, the Board proceeded with a larger project to replace a major portion of the Chatham Middle School. At this time, I as counsel was asked to become involved because the Board asked for formal specifications to be prepared by its architects, Jordan &

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Pease. A question existed in my mind as counsel as to whether it was appropriate or legal for the Board of Education to require in the specifications the "Tremco project or equal" in view of several concerns. I was informed that Tremco incorporated in its project "patented" or proprietary components which made its product "unique." I was also informed that the product itself involved a "cold-applied" system which was very beneficial to the Board in that the cold-applied system was substantially solvent-free and advantageous in that it allowed for the application of the roofing in a manner which would be conducive to the health, safety and welfare of persons who might be present at the site of the building at the time of the installation.

As counsel, I contact representatives of Tremco and also engaged in an independent analysis to determine the validity and extent of patents which Tremco might possess in connection with its system. I learned that Tremco did, indeed, possess a patent for the cold-applied insulation adhesive utilized in this system (Patent #5,000,000-5,008311, secured on April 16, 1991, and which was currently in effect).

At the time the Board was considering utilizing the Tremco system for the Middle School roof, N.J.S.A. 18A:18A-15(d) was in effect. This law prohibits the use of any "brand name" but does allow, "brand name or equivalent" if the materials to be supplied "...are patented" and in the resolution authorizing the purchase, the special need for such patented or copyrighted supplies is recited and is noted to be directly related to the performance, completion or undertaking for which the contract is made.

The specifications prepared by Chatham's architect, Jordan and Pease, clearly allowed for substitution of other types of "cold-applied" roofing systems which would be equivalent to that manufactured by Tremco. Indeed, reference to the American Society of Roofing Manufacturers ("ASRM") notes that cold-applied built-up roofing is an accepted and acknowledged method of roofing. There is absolutely no basis to suggest that the Board selection of the cold-applied system was done improperly or in the spirit of "steering" the work to any particular manufacturer or contractor.

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There was no "independent" roofing consultant engaged in the project, nor is there any suggestion of any improper payment made by any manufacturer or contractor.

The specifications were, in fact, prepared and required a cold-applied system. The specifications did utilize Tremco as a "base" for technical compliance. However, the specifications also clearly allowed for the substitution of "equivalent" systems manufactured by other companies and sold under other brand names.

A number of bidders submitted proposals on this roof. Three proposals submitted proposals, Jackson Roofing; Strober & Sons Roofing and Laumar Roofing. Laumar ultimately was awarded the contract as the low bidder after consideration was given to certain deduct alternates which were selected by the Board.

In the proposed draft it is suggested that Board acting under Mr. Yaniro's suggestion "emulated" the actions of another district, in this case Princeton, in adopting a resolution explictly calling for "Tremco products." This is simply a misstatement of fact. The resolution in question was adopted after the receipt of bids and was focused on the award of the contract to Laumar Roofing. The resolution specifically noted that an "approved equal" was allowed in the specs and that Tremco was not the exclusive manufacturer which could conceivably be approved. The Board was looking for a "cold-applied" system which would be fully warranted in accordance with the requirements of the specifications.

The resolution actually adopted by the Board merely recognizes the advantageousness of the cold-applied system and recognized that it was, in fact, patented by Tremco at least in part, (i.e., the adhesive component).

It is true that in early June, 1999, the Board was contracted by E.R. Barrett, Inc. which sought approval to bid a hot-applied asphalt system. This system is materially different from that specified, and consequently, the request for substitution was rejected. Barrett did not elect to challenge this decision by bringing litigation.

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Throughout the development of the 1999 specifications, I was involved as counsel. I was satisfied and expressed my opinions to the Board that the form of the specifications as well as the award to Laumar was legal and within the discretionary power of the Board to select a particular type of roofing. There is an implication in the draft report that the firm of Jordan & Pease was "compelled" to spec a cold-applied system. I discussed this matter with David Pease, a principal of the firm, and have been informed by him that while he was aware of the Board's preference for a cold-applied system, he and his firm prepared the specifications properly and appropriately and in the discharge of their discretion as architects. They had experience with cold applied roofs and were in agreement with the District's concept in using such a roof system. Architects will meet with clients to discuss preferences of clients in connection with specific matters. Mr. Pease takes complete responsibility for the specifications as I take complete responsibility for my legal opinion regarding the appropriateness of awarding this matter to Laumar Roofing.

In fact, the project was completed within the budget and contract amount within the time, was signed off by the architect and is currently successfully serving to provide waterproofing for the building in question.

Any criticisms of the Board of Education, Mr. Yaniro or myself in this report are misplaced and represent a fundamental lack of understanding of the facts and circumstances as they applied with regard to Chatham's award of the 1999 contract. In fact, it appears that all references to the Chatham project should be deleted since the facts do not support the general contention of the investigation.

Failing that, please incorporate my comments in your final report.

Very truly yours,

DAVID B. RAND

DBR:nd

cc: School District of the Chathams

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THOMAS C. RIENZI, RA
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July 11, 2000

RECEIVED
2000 JUL 13 PM 12:05
STATE COMMISSION OF
INVESTIGATION

Charlotte K. Gaal
State of New Jersey
Commission of Investigation
PO Box 045
Trenton, NJ 08625-0045

Re: Release # 00-06-021
Beneath the Surface: The Real Roof/Spec Design

Dear Ms. Gaal:

On June 27, 2000, I picked up the information issued by your office dated 6/23/00, from Mr. Sweerus regarding Roof/Spec Design. Although I do not have any objections to the one page, without the entire brief I was left with a few concerns. If I am to understand the letter completely, it would appear that the SCI has found that my testimony was indeed true and was confirmed by Mr. Abramowitz in his statement that he himself had no knowledge of any involvement between myself and Roof/Spec Design in any capacity.

If this is correct, no further correspondence from you is required. However, if you have any questions or require additional information, do not hesitate to call.

Very truly yours,

Thomas C. Rienzi, RA

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Charlotte K. Gaal
NJ Commission of Investigation
PO Box 045
Trenton, NJ 08625-0045

RECEIVED
2000 JUL 10 AM 10:58
STATE COMMISSION OF
INVESTIGATION

John R. Suarez
61 Boltin Street
Edison, NJ 08817

Date: July 5, 2000
Date received: June 23, 2000
Re: **Roofing Project Summaries**

Dear Charlotte K. Gaal

I have found omissions and errors in the typed text concerning my testimony. The corrections are based on more time to recall the events of more than a year past and my notes taken during the testimony and in my car directly after my testimony.

Line 1- I was employed from JULY 1997 and August 98 but only worked to June 11.

Line 3- I also said that I procured 3 quotes for this service, following State purchasing guidelines.

Line10- My recollection confirms that Saltzgueber and I discussed this on 2 occasions: during our first meeting at my office and my inquiry to Saltzgueber in regard to the blueprints for code submission. Saltzgueber told me that his company used an architect that certified all drawings.

Line15-17 I shared prior year specification with Saltzgueber and problems resulting from prior installs and discussed alternative measures to eliminate those spec defects. During these discussions I always stressed the "or equal" part of the law must be included in the specification. How you determined that I never discussed materials is puzzling because the spec changed thru addendum after a review with the township of Piscataway code officials. I ordered the spec changes from a rolled roof to a cold tar pitch type.
Relevant omitted testimony includes: In roof pitch discussions with the township code officials Saltzgueber took roof elevations of roof pitch on relevant project and prior year roof project (ARMM). The results dictated a change in spec for the current project and revealed roof pitch code installation shortcomings. I reported this installation deficiency to both Dan Saragnese (Board of Eds Business Administrator) and the township and neither wanted to pursue action against ARMM (prior consultant / inspector). THAT IS Document WASTE & ABUSE!!

Line18 There was a contract signed by Saragnese and Saltzgueber.

Line20 I testified that I knew I had left plans in place for close district monitoring of this project by Don Ippolito and Charlie H. What happened after I left was not in my control. But 2 district employees Don and Charlie were both on the roof with Saltzgueber and I as we discussed plans and specs for the project.

cc. James J Morley, Executive Director

John R Suarez

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PAUL K. TIAJOLOFF, ARCHITECT
402 MAIN STREET, BOONTON, NEW JERSEY 07005 TEL. 973-402-0277 FAX 973-402-0811

2000 JUL -7 AM 11:02

STATE COMMISSION OF INVESTIGATION

July 6, 2000

Ms. Charlotte K. Gaal, Counsel
State of New Jersey
Commission of Investigation
PO Box 045
Trenton, NJ 08625-0045

RE: Notice of Proposed Report

Dear Ms. Gaal,

I am in receipt of your letter dated June 22, 2000 as was received in this office on June 23, 2000. I appreciate the opportunity to provide a written response to the exerpts that were provided me. I would like to address five points of clarification.

Item #1 On page two of the summaries it says, " A review of the specifications showed that they favored premium-priced Hickman products to the exclusion of materials of equal quality available from other suppliers and/or manufacturers."

Response: The specifications were written so as to use the Hickman product as a basis for bidding. Every product specification contained the clause "or equal". There was no attempt to exclude any product material of equal quality. As indicated in my testimony, I believed that both Tremco and Johns Manville had products of equal value that matched the specification. Further study on my part revealed that the Garland Company also carries a similar modified bitumen product. None of these companies saw fit to suggest that their products be listed as an equal. Additionally, the specifications allow for a substitution of product even after the bids are received.

Item #2 The next sentence states, "Both Clover and Tiajoloff said they were unaware at the time that the specifications were proprietary and riddled with technical hurdles to competition."

Response: It was and is not the firm's intent to hinder competition. At no time did we believe that the specifications were proprietary or that they presented technical hurdles. As previously stated, Tremco, Johns Manville and Garland Company could have matched the specification. Most suppliers have independent testing results as to the "or equal" requirements on hand and can be supplied within the bidding time periods.

Paul K. Tiajoloff, AIA, PP
NJ License No. AI 10371
NY License No. 026124

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Item #3 On page 2 it states, "Tiajoloff also said he was unaware that the specifications contained an unusual clause designed to shield the project's architect—in this case, himself—against potential legal action if something went wrong."

Response: Until this matter came under review I did not grasp the full implications of the manufacturer's indemnity clause specification. As I indicated in my testimony, in retrospect and further review of the issue, I would not have included this clause in the specifications because it could have been misinterpreted. I also testified under oath that I would not have denied anyone's product based on the inability to provide the same service.

Item #5 "Thomas Lee Smith of TL Smith Consulting Inc of Rockton, Illinois, said his evaluation revealed that "no [system] requirements for fire or wind resistance are specified. Therefore it is unclear if the roof system complies with code requirements."

Response: As regards fire resistance, the BOCA Building Code Section 1506.1.1 allows a Class A designation in all types of construction. The manufacturers submitted specifications indicate that the materials used pass Class A, ASTM E 108 and UL 790 tests.

As regards wind resistance Section 1609.0 of the BOCA Building Code requires a calculated windforce resistance. The method of mechanically fastening the insulation exceeds the requirement. Additionally it should be noted that the system on the roof is not only mechanically fastened but also fully adhered and then ballasted with gravel.

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Item #6 The next sentence states, "In reference to the system's supporting substructure, Smith noted that "there is inadequate guidance given in the project manual regarding where the deck is to be replaced, or in lieu of that, how it is determined if the deck needs to be replaced."

Response: Our Specification "3.5 Deck Repairs" called for the contractor to remove any defective decking. If any subpurlins are rusted, they are to be replaced. Any holes in excess of 3" in diameter were to be reported to the architect. It remains the responsibility of the contractor to verify deck quality and acceptability. Any questions were to be referred to the architect. As this case turned out, however, a previous application coated the deck with asphalt thereby providing water protection to the deck. The deck was found to be in good condition and no areas were replaced.

Item #7 "Finally, Smith examined the project in relation to energy efficiency and found that because "the roof is lightly insulated...the owner will have unnecessarily high energy consumption bills.

Response: The existing deck was essentially level and the BOCA Building Code Section 1507.5 requires a ¼" vertical per 12" horizontal of slope. Therefore, tapered insulation was installed. There is a range of insulation thicknesses from 2" at the center drains to upward of 10 " at the edges. This offers an R-value range of 11 at the low spots to 55.6 in high areas. The average R-value for the insulation is therefore in the area of 33. This well exceeds the R-value requirements of R-13. The actual R-value is higher than 33 when considering the entire roof system that includes the deck, air spaces and ceiling tiles.

Conclusion

In closing, I would like to thank you for this opportunity to respond to the above items and I am appreciative to the commission for their assistance with our consistent and ongoing efforts to improve our documents so that they serve our clients to the fullest.

Sincerely,

Paul K. Tiajoloff, AIA

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SCHOOL DISTRICT OF THE CHATHAMS

54 FAIRMOUNT AVENUE (3RD FLOOR)
CHATHAM, NEW JERSEY 07928
(973) 635-7542
(973) 701-0366 FAX

VINCENT D. YANIRO
ASSISTANT SUPERINTENDENT
BUSINESS / BOARD SECRETARY

RECEIVED
2000 JUL 10 AM 10:57
STATE COMMISSION OF INVESTIGATION

July 7, 2000

Ms. Charlotte K. Gaal
Counsel
State of New Jersey
Commission of Investigation
P.O. Box 045
Trenton, NJ 08625-0045

Dear Ms. Gaal:

The following is in response to a proposed report issued by the State Commission of Investigation. We would like to review the history of our association with Tremco and demonstrate that the roof replacement projects cited in the report were designed to produce a quality project at a reasonable cost. We were less than satisfied with the results of roof replacement projects in 1996 and 1997. In the spring of 1998 our Director of Buildings and Grounds attended a meeting of other directors and was told of their satisfaction with the use of Tremco roofing materials. We contacted a number of school districts who used Tremco and were very satisfied with the results. One of the reasons we preferred Tremco was that it is a cold tar application as opposed to the typical hot tar application which produces far more fumes that causes health concerns. Specifications called for Tremco materials or an equivalent cold applied system. We were interested in a roof system that would incorporate one guarantee for the insulation, membrane, flashing and sheet metal. The low bid for the 14,589 square foot job was $94,000 which is $6.44 per square foot. The contractor did a very good job and we are pleased with the results.

The next priority roof project was to replace a major portion of the Middle School roof. Due to the size of this job the Tremco representative informed us that some contractors who only offer a hot tar application may complain that they are not able to bid due to the cold tar application specifications. He gave us a resolution that another school district had passed when approving the bids for a Tremco roof replacement project. This information and the resolution were passed onto our attorney and architect. After a thorough review of the documentation, our attorney determined that a major component of the Tremco product was patented and thus the law permits the preparation of proprietary specifications. However, he also determined that the cold tar application is not really proprietary since there are other manufacturers that also supply materials of this nature. As a result, our attorney prepared a resolution, which was considerably different from the resolution offered by Tremco, indicating why we were specifying the Tremco system, the fact that we would accept a substitute manufacturer provided it is a cold tar application, and noting the specific patent number of the Tremco product.

In both jobs the Tremco representative supplied us with the technical specifications. In almost all cases technical specifications are supplied by the manufacturer, which is permitted by law. Our architect modifies the specifications to suit our particular job. The architect and I rewrote the specifications incorporating the technical data provided by Tremco. The job was put out to bid and the low bid was

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accepted at $262,000 for the 24,641 square foot roof. This represents a $10.63 per square foot cost. This was higher than the High School job due to additional work that had to be done on the fascia, flashings and drains and additional insulation needed. Once again we were pleased with the final product. Our architect has informed us that a job of this nature costs typically in the $10 to $11 range. Both of these projects called for a complete roof tear-off and the installation of a new built-up roof. We believe the cost of the Middle School roof is particularly reasonable considering the extra work that had to be done.

It is incumbent upon me as a school business administrator to ensure that each roof project, or any project for that matter, is performed well and at a reasonable cost. When we experience poor workmanship and/or poor materials we suffer with continued roof leaks which impede the educational process. It is always our goal to secure a quality project at a reasonable cost. Tremco provided us with a superior product, a comprehensive warranty, reliable service, and excellent workmanship, all at a very reasonable cost.

I have several specific objections to the tone and content of the proposed report. Rather than "direct" the architect as the report states, there was a discussion of the merits of a Tremco or cold-applied roof. The architect had previous experience with such roofs and agreed with the school district's concept of using such a roof.

Further, the last 2 sentences of the excerpt of the report involving me are grossly misleading. Our specifications allowed for other cold-applied systems to be utilized. As I testified at the public hearing, we determined that "there were other cold-applied applications throughout the country that could bid." (Pages 30-31.) Our specifications were, therefore, sufficiently open-ended to allow competitive bidding.

Sincerely,

Vincent D. Yaniro
Assistant Superintendent for
Business/Board Secretary

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New Jersey State Commission of Investigation

Waste and Abuse in Public School Roofing Projects

Summary of Findings

The Commission launched an investigation of public school roofing projects in 1998 based upon confidential complaints and preliminary evidence suggesting widespread waste and abuse. The probe was comprehensive in nature and statewide in scope, involving a review of 115 separate projects in 39 school districts across 13 of New Jersey's 21 counties. Projects examined by the Commission carried a total taxpayer investment of more than $38.4 million. Evidence of some form of waste and/or abuse was uncovered in more than half of the districts where projects were evaluated.

As detailed below, the Commission's findings fall into five key areas:

- **Conflicts of interest and professional misrepresentation**
- **Manipulation and subversion of public bidding and contracting**
- **School safety issues**
- **Improper labor practices/payroll and tax violations**
- **Inadequate oversight**

Conflicts of Interest and Professional Misrepresentation

School districts across New Jersey have paid millions more than they should have for roof repairs and replacements, in part, because projects were riddled from start to finish with conflicts of interest and deception.

- Project design consultants presumed by district officials and boards of education to be independent experts may actually be secretly compensated by roofing material suppliers. This hidden financial relationship forms the basis for a scheme that results in excessive project costs.

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- Thousands of dollars in secret payments were funneled by a major roofing materials supplier to a consultant who repeatedly wrote project specifications favoring the firm's products. The consultant used this money for personal expenses and failed to report it for tax purposes.

- Key players in the school roofing industry, including a leading roof-design consultant and several contractors, were found to have criminal records while securing contracts at taxpayer expense.

- Roof inspections were carried out by firms and/or individuals who had a financial stake in the project.

- A leading supplier of roofing materials routinely presented itself as a manufacturer of products bearing its own label. In reality, the firm produced few materials and instead chiefly re-labeled products made by others.

- School district officials responsible for oversight of roof maintenance enjoyed a social relationship with both a design consultant and a roofing company sales representative who together cashed in on lucrative contracts in a succession of districts.

Manipulation and Subversion of Public Bidding and Contracting

The process by which boards of education award contracts for roof repairs and replacements was found to be rife with abuses that thwart the public's ability to obtain quality work at the most reasonable price.

- Design consultants/architects, working in secret partnership with manufacturers and suppliers of roofing materials, have routinely crafted "proprietary" project specifications that favor a given set of products, thus eliminating competition in the award of contracts.

- Technical "hurdles" are inserted throughout project specifications to foreclose the possible substitution of less expensive materials of similar or equal quality.

- Installation contracts are steered into the hands of favored contractors through a variety of means, including inadequate public notice of project proposals, selective offers of preferential pricing and mandatory pre-bid meetings. In at least one instance, the mandatory pre-bid meeting was held the same day the bid proposal was advertised.

- In some instances, work on public school roofs has been turned over to sub-contractors without approval by the school district and in violation of State Division of Building and Construction rules.

School Safety Issues

A number of unusual and questionable circumstances give rise to concerns about the safety and structural integrity of public school roof repairs and replacements completed through this process.

- In some instances, project plans were drawn or merely copied by individuals who were not licensed architects. In others, no design professionals were utilized at all. Drawings lacked the requisite detail and architectural seal, and requisite building permits were not obtained prior to construction.

- Less expensive and sometimes inferior roofing products may be used in place of specified materials. Specified materials sometimes are left out altogether with no substitutions.

- Structural problems raised in various feasibility studies may not be addressed in project plans and specifications.

- On-site inspections were lax, non-existent or tainted by conflicts of interest.

Improper Labor Practices/Payroll and Tax Violations

In an effort to undercut their competition and maximize profits, certain roof installation contractors have engaged in practices that help them evade and circumvent laws governing proper labor and payroll practices.

- In some instances, contractors have been able to secure school roofing work by submitting low bids secretly conditioned on the fact that their laborers will be paid substantially less than the legally mandated prevailing wage.

- Certified payroll forms submitted in connection with school roofing projects have been found to be replete with phony employee social security numbers and false data relative to hours worked and wages paid.

- Some contractors have failed to make standard employee payroll deductions deductions for income tax, disability insurance and unemployment benefits. These contractors have also failed to remit their own contributions toward these benefits.

Inadequate Oversight

The abuses uncovered by the Commission in public-school roofing projects were abetted by the action, and inaction, of school district officials and by lax oversight and guidance at the state and local levels.

- Ranking school district officials placed millions of taxpayer dollars at the disposal of consultants, contractors and roofing manufacturers without asking the most basic questions about their qualifications and possible connections.

- District officials in a number of instances okayed questionable contracts even though they had been warned of potential abuses.

- District officials responsible for roof maintenance struck up social relationships with roofing consultants and sales representatives who secured a share of various districts' roofing business. In several cases, these officials agreed after the fact to act as references for a roofing consultant.

- New Jersey lacks an effective mechanism at the state level to monitor the public-school roofing industry and to provide school districts with technical training and advice on how to avoid abuses.

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Waste and Abuse in Public School Roofing Projects

Opening Statement
by
Leslie Z. Celentano
Chair
New Jersey State Commission of Investigation
December 8, 1999

Good morning.

Today, the State Commission of Investigation opens the first of two days of public hearings into waste and abuse in public school roofing projects in New Jersey.

The Commission and its staff began looking into this area more than 18 months ago based upon preliminary information suggesting a variety of abuses, including over-billing, contractor collusion and shoddy workmanship. Our ensuing investigation was statewide in scope. Scores of individuals were interviewed and thousands of documents were examined. Numerous technical questions required the retention of outside experts familiar with the complexities of public-sector roofing.

The Commission's findings, which will be thoroughly aired in this public hearing, reveal a systematic breach of the public trust.

During these proceedings, witnesses will detail how millions of dollars have been wasted through unnecessarily costly roof replacement and construction projects on public schools throughout New Jersey.

You will hear how unscrupulous consultants and manufacturers' sales representatives joined in a secret conspiracy to accomplish this rip-off and how they contrived to line their own pockets at taxpayer expense.

You will hear how the processes which govern public bidding and contracting have been subverted and manipulated by those bent on putting profit ahead of the public interest.

And you will hear how these abuses were sustained, in part, by the action, and inaction, of high-level school district officials — in some instances, even after they had been alerted to potential abuses.

Needless to say, these are serious matters. To put them in proper perspective as these hearings unfold, I would ask that you consider the following fundamental questions:

When we pay taxes, is it not unreasonable to expect that our money will be spent wisely and effectively, and in the public's best interest? The State of New Jersey is about to embark upon a multi-billion-dollar program to renovate and repair school facilities in many areas. A good deal of that money undoubtedly will be spent to repair and replace roof systems, which represent the single most expensive and integral pieces of a school's physical structure. Is it unreasonable to expect that this much-needed initiative be undertaken with a minimum of waste and a maximum of efficiency?

More importantly, when we send our children into a school building, shouldn't we be entitled to have confidence that their safety and well-being are not threatened by the very roof over their heads?

Ladies and gentlemen, the findings of this investigation — as well as the reforms the Commission will recommend at the conclusion of these hearings — should serve as a wake-up call to legislators, school administrators, taxpayers and parents alike.

Please call the first panel of witnesses.

SCHOOL ROOFING SCAM:

A GENERIC GUIDE IN SIX STEPS

The following is a composite scenario that illustrates the types of abuses uncovered by the State Commission of Investigation during its investigation of public school roofing projects in New Jersey.

STEP I

School District X determines that several failing roofs on school buildings require repair and/or replacement.

STEP II

When plans for the project are announced, District X officials are contacted by the sales representative of Company Y, a leading seller of roofing materials.

The sales representative refers the district to a roofing consultant/architect who has a secret arrangement under which he receives compensation from Company Y.

Knowing that he will be paid by the company, the consultant is able to under-bid all other potential architects to obtain the project design contract.

STEP III

The consultant writes "proprietary" project specifications explicitly built around Company Y's products.

The specifications also contain an array of special requirements, or "hurdles," designed to block the substitution of materials from any other manufacturer, even though they may be less expensive and of identical quality.

This locks the project in for Company Y, which charges premium prices for its goods.

District officials, some of whom socialize with the consultant, take the consultant's word that the process is entirely legitimate.

STEP IV

The bidding process is further manipulated to ensure that the actual installation contract is awarded to a contractor "certified" by Company Y.

The favored contractor undercuts all other bidders by arranging to pay his employees at a rate substantially below the statutorily required prevailing wage, a ploy which reduces his estimated labor costs.

STEP V

If inspections occur at all during installation, they are conducted not by independent experts but by Company Y's sales representative, by the compromised roofing consultant and/or by the installation contractor under payment from the sales representative.

This allows the co-conspirators to inflate their profits even more by substituting cheaper materials during installation without any downward adjustment in the cost to the district.

STEP VI

The final cost tops $1 million. District X's taxpayers shell out 20 percent to 30 percent more than they should have for a school roof that may be inferior.

Profits are shared by Company Y, by its sales representative, by the roofing consultant and by the contractor — who team up again to obtain business in another school district.

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